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A REVIEW OF

PROVINCIAL TRANSFER PAYMENTS

TO METROPOLITAN TORONTO

Municipality of Metropolitan Toronto
Management Services Department
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EXECUTIVE SUMMARY

The purpose of this report is to review and describe the concerns relating to Provincial tranfer payments to Metropolitan Toronto and to provide a response to the Association of Municipalities of Ontario's request for comments on the Province's "Municipal Cost-Sharing and Unconditional Grants" discussion paper (February 1983).

In order to put the issues in an appropriate historical context, the first section of the Report summarizes Metro's policy positions since 1974 with respect to Provincial transfer payments. Council has consistently taken the position that Metro Toronto has the maturity and managerial capacity to set its own spending priorities, make its own financial decisions and accept full responsibility for its financial affairs. Accordingly, Provincial transfers to Metro should be in the form of a long-term, tax-sharing funding arrangement. Until such a long-term arrangement is negotiated, Council has supported block funding arrangements for specific functional areas, use of a base or foundation unconditional grant based on households and continued availability of a significant proportion of unconditional funding based on the net general dollar levy.

Metro Council rejects the argument that levy based grants such as the general support grant encourage inefficient and increased municipal spending. The budgetary process in Metro (and in other municipalities) is based on the service requirements of the community as expressed in the decisions of their elected representatives. The existing levy based grants do not influence decisions about the level of expenditure requested by the Corporation. Indeed, it can be argued that the myriad of conditional grant programs which are specifically tied to cost-sharing of expenditures have a far more deleterious effect on municipal spending priorities. Also, the unconditional grants are governed by specific legislation while many of the conditional grants are based on regulations that are subject to continual "interpretation" by Provincial officials.

Section 4 of this report provides an overview of Metro's financial position and illustrates the significance of various grant programs.

Section 5 of the report addresses directly the Province's Discussion Paper on Municipal Cost-Sharing and Unconditional Grants. The proposals of the Discussion Paper on cost-sharing highlight the problem that homes of comparable value within the same region or Metropolitan area often pay considerably different amounts of taxes for the same upper tier services. To alleviate this problem, the discussion paper suggests that region-wide Section 63 (formerly Section 86) reassessments take place.

On March 2, 1982, Metro Council reiterated its own request that a Section 63 impact study for Metro Toronto be conducted by the Provincial Ministry of Revenue. The request was forwarded to the Minister of Revenue but to date no official response has been received. The study has apparently been completed, but as yet Metro's efforts to obtain a copy have been unsuccessful. Access to this information is essential to the resolution of the Municipal cost-sharing problem raised in the Provincial Discussion Paper.

The Provincial Discussion Paper proceeds to cite the problems associated with the existing unconditional grants system which is admittedly complicated, lacking in certainty and generally unable to meet most of the objectives of past grant reform proposals. As an alternative and emphasizing that it is an example only, the Minister's Discussion Paper suggests a two grant system based on a per household calculation. This would, according to the Discussion Paper, create a measure of simplicity, certainty and fairness and would encourage efficiency and accountability at the local level.

The Minister is to be commended for his initiative in promoting dialogue on this issue and trying to resolve what is a complex and difficult situation. Metro Council's position on the need for a long-term funding arrangement is a matter of record. In response to the Minister's paper, it is important that Council support the portion of the paper which is consistent with Metro's own position and ensure that the interests of the area municipalities are protected. Moreover, Council should reiterate its willingness to enter into a meaningful dialogue to resolve the outstanding issues.

Finally, reference is made to the need for more detailed review of the conditional grants system. In Section 6 of this report, it is noted that there are many problems associated with conditional grant programs and probably as many opportunities to make meaningful changes. Accordingly, a recommendation is put forward for a comprehensive review of the conditional grants system.

It is recommended that:

1. **Metro Council commend the Minister of Municipal Affairs and Housing for his initiative in setting forward the Provincial Discussion Paper on Unconditional Grants and support a continuing dialogue between the Province and municipalities on transfer payments.**

2. **Metro Council reiterate its previous positions with respect to Provincial transfer payments to Metro Toronto as summarized in Schedule A. and forward copies of this Report to the Provincial Minister of Municipal Affairs and Housing and to the Association of Municipalities of Ontario.**

3. **Metro Council support the principle that an increased proportion of unconditional funding should be in the form of levy based grants which recognize the budgetary needs of municipalities.**

4. Without prejudice to its previous positions as outlined in recommendations 2 and 3, and as an interim measure to improve the existing unconditional grants system, Metro Council support the principle that per capita grants be changed to a household base.

5. Changes in the unconditional grants system caused by a new system which result in significant shifts in funding be phased in during a transitional period with appropriate interim Provincial funding being made available to municipalities (such as the Borough of York) to offset any detrimental impact.

6. The Province be requested to state what it will accept as a "consensus for change" in the context of Municipal cost-sharing as set out in the Provincial Discussion Paper of February 1983.

7. The Province provide Metro Council with the results of the Ministry of Revenue's Impact Study on Section 63 Reassessment of Metro Toronto.

8. The Commissioner of Management Services be directed to conduct, in conjunction with the heads of Metro Departments, Boards and Commissions a comprehensive study of conditional grants received by the Metropolitan Corporation and to prepare proposals for improving the conditional grants system.

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1. PURPOSE

The purpose of this report is to review and describe the concerns relating to Provincial Transfer payments to Metropolitan Toronto and to provide a response to the Association of Municipalities of Ontario's request for comment on the Province's "Municipal Cost-Sharing and Unconditional Grants" Discussion Paper (February, 1983).

2. ISSUES

The 1977 Provincial-Municipal Grant Reform Committee identified several major problem areas created by "the multi-billion dollar Provincial Transfer Payments Labyrinth". These issues are as valid in 1983 as they were in 1977:

- there are too many specific grants
- there is confusion and uncertainty among recipients
- administrative requirements are excessive
- jurisdiction is entangled
- there is inconsistent variety of equalization provisions
- the system impairs local autonomy
- some grants are probably obsolete

The Grant Reform Committee proposed a set of principles which were in general agreement with the policies adopted by Metropolitan Toronto Council. These principles were not entirely new, and trace their origin to past reports such as that of the 1967 Ontario Committee on Taxation (the Smith Committee). Just as the issues are as evident today, so too the principles enunciated by the Grant Reform Committee are relevant to any review of the grants situation. These principles stated that the Provincial-Municipal Transfer System should:

- not undermine local autonomy;
- recognize Provincial responsibility;
- clarify jurisdictional responsibility and enhance accountability to the taxpayer;
- provide for equalization of fiscal capacity;
- recognize differences in expenditure needs arising from differences in circumstances that are beyond the control of individual municipalities;
- recognize the diversity between municipalities in terms of size, structure and expertise;
- be simple to comprehend;
- provide certainty;
- be complemented by availability of the Provincial technical expertise and exchanges of information.

The need for reform of the transfer payments system has been debated at some length. It is important to recognize that such reforms are invariably linked to other issues:

- the need for property tax reform which will change the assessment base;

- the possibility of structural changes to Metro emanating from reports such as that of the Royal Commission on Metropolitan Toronto;

Significant shifts in one area can and will have important effects on other areas. It is beyond the scope of this report to offer a comprehensive program of local government reform, and probably quite beyond the policy-making framework of the Provincial bureaucracy, but it is important that members of Council recognize that grant reform must be considered in relation to changes of the sort described above.

Finally, a number of factors are of particular significance in terms of Metro Toronto's changing financial situation:

- the economy remains uncertain with prospects for full economic recovery, at least a year away

- conditional grant programs are likely to be similarly constrained and to continue to distort Municipal spending priorities

- with its stable population base, Metro Toronto is particularly vulnerable to shifts in Provincial transfer payments in which the per capita grant rate is itself the only inflation compensator (in 1983 the per capita grant rates remain unchanged).

3. REVIEW OF METRO'S POSITION

Appendix A outlines the historical background of grants reform in Ontario since 1967. As various Provincial studies have evolved, Metro Council has responded by adopting a series of policy positions. Because the last review of this information occurred some years ago, and for the benefit of new members of Council, it is useful to summarize the chronology of positions adopted by Council since 1974.

1974 "Municipal Tax Reform" Paper, Office of the Metro Chairman

On March 26, 1974, Metro Council endorsed a position paper prepared in the Metro Chairman's Office which set out the basic principles that have been followed and reiterated in subsequent Council positions.

> "Metropolitan Toronto recognizes the effort made by the Province to reform and to improve the municipal tax system, and to increase the revenues available to regional and local governments in Ontario. In our view, however, the unwillingness of the Province to consider the possibility of tax-sharing as a method for alleviating the financial inbalance between resources and responsibilities at the local level simply means that the fundamental problem of public finance in Ontario will not be solved.
>
> Unless and until the local governments of this province have more direct control over a larger revenue base, local autonomy is a sham and public accountability is restricted. The first step in any reform of the tax system of local government must be to strengthen the accountability of local government for both the expenditure and the raising of public money. We believe that local government, whether at the regional or city and borough level, must be responsible for its actions to the electorate and taxpayers of the area. Dependence upon transfers erodes accountability and responsibility.

Our recommendations have been developed with two fundamental purposes in mind:

(1) to improve the accountability of local government; and

(2) to ensure that local government has the resources to provide public services to the people of the region."

The Report went on to make a number of detailed recommendations which are repeated below:

(a) That the Province and the federal government institute programs to provide complete public finance information set out by county and region to enable municipal financial planners to adequately assess their own positions. (This has been acccomplished to a significant extent.)

(b) That the Province expand the tax base of regional governments, introducing tax-sharing as a method of increasing municipal revenues (tax-sharing is defined as the joint occupancy of a single tax field by more than one level of government, each with the power to levy its own taxes, but with the collection of taxes centralized with one authority).

(c) Conditional grants should be used solely to ensure that municipalities provide services deemed essential by the provincial government and provided for in mandatory legislation.

(d) Stimulation grants provided on a block basis and tied to permissive legislation should be used to allow municipalities to experiment in the development of new services.

(e) This system of tax-sharing should replace unconditional grants to regions and restructured counties, with unconditional grants being continued as a stop-gap arrangement until the process of municipal structural reform is complete.

(f) Equalization grants should continue because of variations in size and fiscal capacity, but such a system must be based on the development of a sophisticated system to measure financial capacity and costs of providing services.

The Report concluded that such a system would have several essential criteria:

- maximizing accountability to the electorate;

- ensuring adequate provincial-wide standards for necessary services;

- an effective equalization system which truly reflects the ability to finance local services.

1977 The Royal Commission on Metropolitan Toronto

In Metro's submission to the Royal Commission on Metropolitan Toronto (the Robarts Commission), Council called for more dialogue with the Province to determine how best the two governments could "unconditionalize" grants and provide for more "certainty" in terms of the levels of funding from year to year.

The Robarts Report produced a number of recommendations relating to transfer of payments. The main recommendations were:

10.2 Ontario's per capita grants program be reviewed to assess the feasibility of converting it to a per household basis and making it more responsive to the costs of the more populace regional and Metropolitan municipalities.

10.3 All conditional grants whose purpose is to provide an incentive to municipalities to provide services or facilities, with the exception of housing grants, be eliminated for municipalities in Metropolitan Toronto.

10.4 Existing intergovernmental grant programs as they apply to Metropolitan Toronto be replaced with three-year cost-sharing agreements for provincial and (where applicable) federal support of municipally administered programs for which there is a recognized financial responsibility on the part of the other levels of government. Such agreements be negotiated jointly by the provincial government and the municipalities in the Metro system.

Responding to these recommendations on October 28, 1977, Council reiterated its 1974 position on municipal tax reform and supported the principles of the Robarts proposals, only as an interim step toward the development of a complete tax-sharing agreement.

Council specifically endorsed recommendation 10.2.

The Council specifically requested information on how implementation of recommendation 10.3 would affect Metro's revenues and a complete listing of grants to be classified as "incentive grants". Council also felt that it would be appropriate to await the results of the Provincial-Municipal Grants Reform Committee's deliberations before proceeding.

Recommendation 10.4 was accepted as an alternative to tax-sharing provided that the Province was prepared to enter into three year binding statutory agreements on terms and conditions acceptable to Metropolitan Council and the area municipalities. Council's recommendation also stressed that there must be legislative guarantees and safeguards to ensure that any new funding arrangements would not have a detrimental effect on Metro's existing financial support levels.

1978 Response to the Provincial-Municipal Committee on Grants Reform

The 1977 Grant Reform Committee Report raised the issues already referred to in the first section of this paper. While the Report itself produced about 100 recommendations, and Metro Council responded to each, the crux of Metro's position was dealt with in four general recommendations. The complete text of Metro's response is included as Appendix B.

Recommendation 1 reaffirmed Metro's position that Provincial grants to Metro should be replaced by a tax-sharing agreement. Recommendation 2 called for a joint study on the financing and administrative feasibility of such a tax-sharing agreement from both the Provincial and Metro viewpoints. The Report adopted by Council noted:

> "In reviewing these matters (the 1974 position and Robarts recommendations) there appears to be no reason to alter the original position in favour of tax-sharing that was taken by the Metropolitan Council in 1974. If combined with property tax reform, a tax-sharing arrangement would solve virtually all of the provincial-municipal financial problems at one stroke within the framework of principles established by the Provincial-Municipal Grants Reform Committee. The difficulty is that no detailed analysis has yet been done to develop a feasible and specific proposal for the implementation of tax-sharing for Metropolitan Toronto. It would be useless to attempt such a study without the cooperation of the provincial government, which has control over the data and much of the expertise necessary to such an endeavour."

The Metro response went on to note that the tax-sharing solution was a long-term one and that Council's position on provincial-municipal transfers would always be directed towards that solution. The Report expressed concern that the Provincial-Municipal Committee's strategy of deconditionalization and rationalization could have a detrimental impact on Metro. It cited Provincial government attempts to reduce Provincial payments to the local government sector and to shift financial responsibility onto the municipal taxpayer.

The Report noted that it is easier to justify enrichment or continuation of specific grants (e.g. transit grants) than it is to justify the need for increases in unconditional grants. For these and other reasons, the report made recommendation 3:

> "Provincial-Municipal transfers in the following areas be replaced by multi-year cost-sharing agreements that correspond to the term of Council.
>
> - police
> - transit
> - roads and traffic
> - housing
> - ambulance services
> - environmental protection
> - income maintenance
> - social services
> - library services

The above proposal would have the following advantages:

- it would provide multi-year certainty of funding;
- it would be based on Metro's audited costs of service;
- it would permit more discretion to Metro in setting its own priorities and exploring least-cost alternatives;
- it would help to clarify provincial and municipal roles in service delivery;

- it would encourage acccurate analysis and assessment of productivity;
- it would eliminate the complexity and administrative cost of the existing grant programs;
- it would permit a further simplification of unconditional grants; and
- it would be a further step along the road to tax-sharing."

With respect to conditional grants, the Report went on to comment on each of the Provincial-Municipal recommendations. In its concluding recommendations, the Report stated:

> "The general tone of the staff comments can be summed up as a lack of confidence that the level of funding now available through conditional grant programs will continue under grants reform. This concern is not completely allayed by the Grants Reform Committee's operating principle that the total size of provincial-municipal transfers should not change as a result of grants reform except as a result of transfers of responsibilities between one le l of government and another. That principle does not guarantee that transfers to Metro will not drop. Obviously, given the difficulties the Corporation has in meeting its responsibilities with the present level of transfers, it would be folly to even consider grants reform without a guarantee that this will not result in a drop in the level of real transfers to Metro in the years following reform.
>
> Recommendation 4: The Municipality of Metropolitan Toronto insist that any scheme of grants reform include a guarantee that the real level of provincial transfers to Metropolitan Toronto will not drop except as a result of mutually agreed transfers of responsibility between levels of government."

1979 Report of the Provincial-Municipal Long-Term Financial Arrangements Committee

With the demise of the Edmonton Commitment in 1978, the Minister of Intergovernmental Affairs (The Hon. Thomas Wells) agreed to the formation of a Provincial-Municipal Committee as a sub-committee of the Provincial-Municipal Liaison Committee (of which Metro was a constituent member) to develop a new transfer payments formula. The Committee reported in July of 1979 and among other things called for a three year funding arrangement for Municipal transfers (consciously excluding school board grants) using the 1979-80 conditional and unconditional grants to municipalities as a base.

The recommendation of the Committee called for unconditional grants to be escalated by the rate of the increase of provincial revenues and the conditional grants by the rate of increase of provincial own-ministry expenditures. Provincial "revenue" and "expenditures" were carefully defined. An agreement was also realized with respect to calculation of an "average" rate of increase for transfer's purposes. Most importantly, it was decided that any major change that would affect transfer payments would have to be discussed with the Municipal Liaison Committee prior to implementation. Changes in Provincial accounting methods would be deemed not to have occurred so that expenditure and revenue growth rates could be calculated on the same base in each year. Any change in Municipal responsibilities for service delivery would have to be accompanied by an appropriate adjustment in funding.

The Committee's recommendations were presented by the M.L.C. to the Minister, but received no further consideration by the Province.

1980 Report to the Metro Toronto Executive Committee on the General Support Grant

A report to the Metro Executive Committee (adopted by Council on January 15, 1980), considered two issues:

1. Are the estimates of population for Metropolitan Toronto as computed by the Province of Ontario an accurate representation of actual population?

2. Does the use of population figures and the resultant transfer of money to Metropolitan Toronto on the basis of per capita grants represent a reasonable and equitable way for the Province to make financial resources available to Metro?

The Report concluded that the method of enumeration used by the Province was consistent with that of the census of Canada. However, the equity and adequacy of the population base for grants calculations was a great concern.

> "Regardless of whether the official population count by the Province represents a slight over or under count the trend in population will never approximate expenditure growth rates at Metro in times of inflation. This, of course, means that 23 per cent of the transfers (the per capita transfers) to Metro are effectively frozen and bear no relationship whatsoever to the ongoing needs of Metro. In fact, the general purpose per capita grant as a proportion of total Metro revenue has declined continuously since 1972, and the police per capita grant has declined since 1975. Any grant based on population will exhibit this characteristic. The grant for Police purposes is severely affected at a time when Police expenditures are displaying considerable increases."

The report went on:

> "The unconditional grant mechanism must be changed so that less reliance is placed on per capita grants. More reliance must be placed on a grant formula that is based on the Metro levy which recognizes the budget needs of Metro. An unconditional grant package dominated by per capita grants will continue to be a constant source of financial distress for Metro in times of inflation, and will result in the continued erosion of Provincial grants, as a proportion of total revenue requirements.
>
> It is recommended that the Minister of Integovernmental Affairs be requested to increase the general support grant for Metropolitan Toronto from 6 per cent of the general dollar levy to 19 per cent of the general dollar levy starting in the year 1980 and that the per capita grants be terminated."

The Position of Metropolitan Toronto in 1983

To summarize, Metro Council is on record as favouring the use of a full tax-sharing agreement with the Province which will ensure that necessary services are maintained and that adequate funding is available. Because such an all-encompassing agreement is a long-term goal, Metro Council has indicated its willingness to negotiate separate cost-sharing agreements in key areas where conditional grants exist at present and as an interim step to try to make the unconditional grants structure a more effective vehicle for the transfer of funds to Metro and its area municipalities. It has been suggested that the latter could be accomplished by switching to a household basis and more recently increasing the portion (if not all) of the unconditional grants to a levy basis.

4. METRO'S FINANCIAL SITUATION

General Trends

The following summarizes the findings illustrated in Tables I and II.

Growth of Metropolitan Toronto's gross expenditures for operating purposes from 1978 to 1982 has been at 12.3% compounded annually. Population growth over the same period has totalled less than 2% or 0.5% compounded annually. Taxable assessment has grown at a rate of 2.4% compounded annually.

Total Provincial grants and subsidies for operating purposes in 1978 to 1982 have grown at a rate comparable to that of total gross expenditures, 12.5% compounded annually. (Provincial grants for capital purposes are not included for comparative purposes because they are project specific and subject to considerable fluctuation from year to year). This increase results because the most significant portion of Provincial operating grants and subsidies are tied directly to municipal expenditures. Total unconditional grants grew at only 8.0%. Inflation (as measured by the C.P.I.) rose at an average annual compound rate of 10.6% during the 1978-1982 period.

Unconditional Grants

Metro is eligible to receive 4 grants which are provided for unspecified expenditure purposes: the general per capita grant, the police per capita grant, the resource equalization grant and the general support grant. (The police per capita grant is an unconditional grant in spite of its name. Metro allocates this grant revenue to the Police Commission and for Metro budget purposes it is treated as a "conditional" grant.)

The general per capita grant grew by 2.9% compounded annually from 1978 to 1982. This increase results from growth in population (0.5% annually) and an increase in the grant rate of $1.00 per capita in 1981.

TABLE I

METROPOLITAN TORONTO - GRANT REVENUE

(in $000's, Actuals except 1983)

CONDITIONAL GRANTS	1974	1975	1976	1977	1978	1979	1980	1981	1982	EST 1983
Administration (1)	$ 40.6	$ 2.5	$ 25.1	$ 8.6	$ 10.2	$ 10.1	$ 23.4	$ 54.7	$ 175.3	$ 78.7
Planning	501.0	185.1	132.0	64.5	7.9	60.5	252.1	306.9	238.0	488.5
Ambulance Services	3,651.0	6,057.1	8,627.6	9,761.9	9,752.2	10,375.0	13,465.4	15,372.8	17,313.2	18,925.4
Roads and Traffic	6,718.4	6,863.4	7,655.6	9,607.3	9,320.6	10,243.9	11,759.5	12,579.4	14,198.2	12,267.7
Transit	23,564.0	25,778.5	24,961.1	26,407.3	30,918.9	32,913.3	37,827.3	47,595.1	57,083.4	64,677.2
Parks and Property	-	-	-	-	-	25.0	1.5	498.8	885.9	632.0
Community Services	51,412.2	68,985.2	74,716.4	83,255.8	93,365.3	98,822.1	110,509.7	121,683.2	156,440.1	198,559.3
Misc. Grants (2)	255.7	283.4	793.5	75.0	75.0	106.5	75.0	183.4	972.9	100.0
SUB TOTAL	$ 86,142.9	$108,155.3	$116,911.3	$129,180.4	$143,450.1	$152,561.4	$173,913.9	$198,274.3	$247,307.0	$295,728.8
UNCONDITIONAL GRANTS										
General Per Capita	19,069.4	19,116.9	19,380.1	21,562.6	21,501.5	21,378.7	21,557.2	21,687.1	24,081.0	23,980.0
Police Per Capita	14,831.7	25,489.1	25,840.1	32,343.9	32,252.2	32,068.0	32,335.9	36,868.1	37,216.8	37,060.5
General Support	7,482.4	12,661.0	15,127.1	16,650.2	21,893.1	24,702.5	27,379.8	30,166.8	33,879.6	36,193.5
Resource Equalization				-	-	-	4,384.7	6,686.8	7,884.8	7,884.8
Apportionment				-	-	-	1,010.3	-	-	-
SUB TOTAL	$ 41,383.5	$ 57,267.0	$ 60,347.3	$ 70,556.7	$ 75,646.8	$ 78,149.2	$ 86,667.9	$ 95,408.8	$103,062.6	$105,118.8
TOTAL OPERATING GRANTS	$127,526.4	$165,422.3	$177,258.6	$199,737.1	$219,096.9	$230,710.6	$260,581.8	$293,683.1	$350,369.6	$400,847.6
TOTAL CAPITAL GRANTS	$ 41,690.0	$ 86,383.0	$ 90,852.0	$ 89,697.0	$ 60,731.0	$ 45,217.0	$ 43,600.0	$ 62,047.0	$ 83,250.0	$120,965.0
TOTAL GRANTS	$169,216.4	$251,805.3	$269,110.6	$289,434.1	$279,827.9	$275,927.6	$304,181.8	$355,730.1	$433,619.6	$521,812.6

NOTES TO TABLE I

1. Includes: Treasury, Clerk's, Legal, Personnel, Management Services, C.A.O.'s and Chairman's Departments

2. Misc. Grants: Includes grants which occur on an "Ad Hoc" or one time only basis.

Sources: Annual reports of the Commissioner of Finance, Statements of Capital Operations (unconsolidated); 1983-1987 Capital Works Program (Revised Feb., 1983).

Annual Operational Budget Estimates 1975-1983.

TABLE II

METROPOLITAN TORONTO
TRENDS IN EXPENDITURES, PROVINCIAL TRANSFERS AND OTHER INDICATORS

	1978	1982	Total % Change 1978 to 1982	Average Annual Compound Growth Rate %
Total Gross Operating Expenditure* (Actuals, $000's)	623,852.3	991,625.8	59.0	12.3
Total Grants & Subsidies for Operations (Actuals, $000's)	219,096.9	350,369.6	60.0	12.5
Grants as a Percent of Gross Expenditure	35.1	35.3	-	-
Grants Population	2,150,151	2,189,435	1.8	0.5
Inflation Factor (C.P.I., 1971=100)	175.2	262.5	49.8	10.6
UNCONDITIONAL GRANTS (Actuals $000's)				
General Per Capita	21,501.5	24,081.4	12.0	2.9
Police Per Capita	32,252.2	37,216.8	15.4	3.6
General Support	21,893.1	33,879.6	54.8	11.5
Resource Equalization	N/A	7,884.8	79.8**	34.1**
TOTAL	75,646.8	103,062.6	36.2	8.0
As a % of Gross Expend.	12.1	10.4	-	-

TABLE II
(cont'd.)

	1978	1982	Total % Change 1978 to 1982	Average Annual Compound Growth Rate %
CONDITIONAL GRANTS (Actuals $000's)				
Roads & Traffic				
Grants	9,320.6	14,198.2	52.3	11.1
Gross Expenditure*	46,487.4	65,330.9	40.5	8.9
Ambulance				
Grants	9,752.2	17,313.2	77.5	15.4
Gross Expenditure*	15,505.9	29,285.4	88.9	17.2
Transit				
Grants	30,918.9	57,083.4	84.6	16.6
Gross Expenditure*	91,118.7	124,962.2	37.1	8.2
Community Services				
Grants	93,365.3	156,440.1	67.5	13.8
Gross Expenditure*	147,768.8	231,081.0	56.4	11.8

*Gross Operating Expenditure as Reported on a Gross Departmental Basis Inclusive of Capital Financing

**Growth Since 1980 When the Grant Was Introduced.

While Police expenditures have grown at a compound annual rate of 12.3% grants for policing have grown at only 3.6%. This growth includes the additional $2.00 per capita enrichment of the grant in 1981. In addition, the portion of Police gross expenditures paid for out of grant revenue has fallen from just over 18% in 1978 to less than 14% in 1982.

The general support grant has increased at an annual compound rate of 11.5% principally because it is tied directly to the general levy, water billings and sewer surcharges, all of which tend to rise at or near the rate of growth of Metropolitan expenditures.

The resource equalization grant is made in respect of those lower tier municipalities whose assessment per capita for general purposes, "equalized" to a Provincial-wide basis of evaluation, is below a standard as determined by the Province. A portion of the grant is paid directly to the upper tier municipality. The grant was introduced in 1980 and Metro received $4,385,000. In 1982, Metro received $7,884,800, an increase of about 80% over the 3 years or 34.1% compounded annually.

Conditional Grants

(a) Roads and Traffic

The Roads grant has risen since 1978 at a compound annual growth rate of 11.1% while expenditures have risen at only 8.9%. Grants as a a proportion of expenditures have remained relatively stable. In 1983, estimates suggest that the expenditure requirements will exceed the total allocation of subsidy available. If Metro's roads expenditures as determined by Council truly represent "needs", then the Provincial determination of an upper limit for subsidy purposes must result in deterioration of services.

(b) Ambulance Services

The Ambulance Services grants have not kept pace with expenditure, rising at a compound annual rate of 15.4% while expenditures have risen at 17.2%. The grant as a percentage of total gross expenditure has fallen from 63% to 59% in 1982.

(c) Community Services

In general, Community Services grants have generally kept pace with expenditure. These grants are closely tied to expenditures through a number of transfer payment formulas and in 1982 the grants as a proportion of total expenditure had risen to almost 68% as opposed to 63% in 1978.

(d) Planning

The various grants for the Planning Department have fluctuated considerably from year to year and as such no clear pattern has emerged.

(e) Transit

The rate of growth of transit subsidies has been considerably higher at 16.6% compounded annually than that of transit expenditures which have grown at a rate of 8.2%. In 1982, transit subsidies accounted for 45.7% of total operating expenditure net of operating revenues (i.e. fares) as opposed to only 34% in 1978.

Conclusions

It is evident that while the grants and subsidies have kept pace with gross expenditures, this has occurred primarily because of the predominance of conditional funding tied directly to expenditures and unconditional grants based on the levy. The per capita grants have grown at an average annual compound rate of 2.9% (general) and 3.6% (policing), while the levy based general support grant has grown at 11.5%. Per capita based grants have been unresponsive to the overall needs and costs of services provided by Metro Toronto.

In 1978, unconditional grants as a proportion of gross generating expenditure represented 12.1%. In 1982, this had fallen to 10.4%.

5. UNCONDITIONAL GRANTS

Background

The Provincial Minister of Municipal Affairs and Housing has put forward a discussion paper on Municipal Cost-Sharing and Unconditional Grants. In a letter dated February 23, 1983, the Minister states that as he had promised in October of 1982, he has now released the discussion paper and wishes to receive the comments of municipalities through the Association of Municipalities of Ontario. However, he wishes to be able to put forward draft Provincial legislation by Mid-June of 1983 as a result of the A.M.O. - Provincial deliberations for possible implementation in the 1984-85 fiscal year.

While the Minister's timetable is "ambitious", to use his own words, it places an onerous task on the Province's municipalities. To deal in 3 months effectively and successfully with a complex topic that has been discussed at length over the last 10 years without achieving any meaningful consensus is asking a great deal. Fortunately, Metro Toronto has developed policy positions since 1974 on this issue and is in a position to respond. The historical perspective within which the Unconditional Grants dilemma has unfolded has already been summarized in the foregoing and is dealt with at length in Appendix A. The complete text of the Provincial discussion paper is included as Appendix D.

Summary of Provincial Proposals

The Minister in his covering letter (see Appendix D.) states that the discussion paper is designed to generate just that, discussion of the issue. With respect to the two grant system, he says that it is an example only and "not a proposal I am trying to sell you".

Unhappily, the Minister has chosen to consider what are essentially two distinct issues, cost sharing and unconditional grants, in the same discussion paper. While they are related, each is of individual concern and might better have been the subject of separate proposals. Because the question of apportionment has been dealt with by Metro Council in the context of a formal request for a tax impact study by the Ministry of Revenue, the bulk of the discussion that follows addresses the unconditional grants issue.

The grants proposal suggests replacement of the following unconditional grants:

general per capita ($11 per capita in 1983)

police per capita ($17 per capita in 1983)

density per capita (grant rate based on the number of households per hectare)

resource equalization (based on a municipality's discounted equalized assessment per capita compared to a Provincial standard)

general support (5.75% of prior year's Net General Dollar Levy)

northern support (18% of prior year's Net General Dollar Levy)

In place of these grants the Province proposes, as an example, a two grant system which would include a general services grant and a special services grant. The rates for those municipalities in the north would be approximately three times those in the south. The basis for the two grants includes the following:

- use of households as the base (instead of assessment, levies and population)
- grant rate determined by the Province annually

- calculation would simply be the households multiplied by the grant rates
- variance between northern and southern Ontario grant rates would be maintained in the same proportion as total funding between northern and southern Ontario today
- in the base year (i.e. 1984) total transfers to municipalities would be maintained (e.g. there would be no loss in terms of total funding as a result of the new system)
- the basic services grants would be available to all municipalities
- the special services grants would be made to those municipalities providing a higher level or a broader range of services for which no other conditional funding was available (i.e. such services would include fire services, police, sewers and water)
- households would be defined using the existing formulas (i.e. a building or part of a building used as a domestic establishment and consisting of two or more rooms in which persons usually sleep and prepare and serve meals)
- it is acknowledged in the discussion paper that this definition would require further discussion and clarification to take into acccount cottages, institutions and other uses
- households are used because they are inherently more stable than population and better reflect the general services to property criteria
- upper and lower tier governments would receive their grants as direct entitlements.

Issues

(a) Cost Sharing

The section of the discussion paper on cost sharing highlights the problem that homes of comparable value within the same region or Metropolitan area often pay considerably different amounts of taxes for the same upper tier services. To alleviate this problem, the discussion paper suggests that region-wide section 63 (formerly section 86) reassessments take place.

On March 2, 1982, Metro Council reiterated its own request that a section 63 impact study for Metro Toronto be conducted by the Provincial Ministry of Revenue. The request was forwarded to the Minister of Revenue, but to date no official response has been received. The Study has apparently been completed, but as yet Metro's efforts to obtain a copy have been unsuccessful. To adequately address the issue of cost-sharing, Metro must know the results of the Section 63 reassessment, revise the weighting factors and be able to treat per capita grants as general revenue. Dealt with simultaneously, these three things can minimize the impact on Metro.

The Provincial Discussion Paper notes that "a number of issues will have to be resolved, including the determination of what constitutes a consensus for change within a county or region". In Metro, there is indeed consensus about the need for change. There is however, no agreement as to what that change should be. If the Province is suggesting that it will not accept a majority vote of the elected municipal council concerned, then the legislative basis of municipal council activities may be in doubt. The Province must resolve and firmly establish what constitutes a "consensus for change" in this regard (e.g. simple majority, two-thirds majority or unanimous consent).

(b) Unconditional Grants

The discussion paper describes five objectives for future unconditional grant financing. The five objectives reflect the principles enunciated by the Smith Committee in 1967, the Grant Reform Committee Report of 1977 and the Report of the Robarts Commission also in 1977. While the objectives are laudable, the grants proposals will not fully realize them. Furthermore, the objectives must be considered in the broader context of Provincial Municipal fiscal relations, a factor which the Provincial discussion paper conveniently ignores.

Simplicity

The complex grant formulas now in use are not easily understood and the proposed two-grant system based on households is certainly simpler. Unfortunately, it sacrifices other equally important principles of grant reform. It also fails to clarify or resolve the continuing problem of the existing grants system which involves getting accurate and timely information from Provincial Ministries to enable municipalities to use the grant formulas and determine mill rates.

Certainty

This is a key issue in the long history of Provincial-Municipal grants. The proposed two-grant funding formula does not address the need for a long-term funding commitment by the Province. Use of the households base may produce more stability, but use of the household base without an inflation compensator has the potential to stagnate the growth of grants. The growth relatedness of the general support grant and the resource equalization grant will be lost. The Province offers nothing in terms of long-term funding guarantees.

Fairness

On the one hand, the Province is quick to recognize that there are different responsibilities and different fiscal capacities among municipalities of which Provincial grants criteria must take account. On the other hand, the fairness of the R.E.G. process is questioned "when 98% of municipalities benefit from it and when 10% of the funds go

to municipalities in Metro Toronto". While property assessment may not be the best measure of fiscal capacity or expenditure needs, the Provincial solution of using households and "special grants" arbitrarily decided by the Province, does not represent a viable alternative.

Metro Toronto provides a variety of services, the benefits of which go well beyond Metro's boundaries. In its simplistic fashion, the Provincial discussion paper has ignored the special place of Metro in the greater Toronto region and the role of its services, such as the T.T.C. and Community Services. The need to look at the externalities of such services and their revenue requirements in the context of Provincial funding is essential.

Efficiency

The Provincial discussion paper has implied that growth related grants encourage inefficient spending by local government. In the same breath, the discussion paper states that its final objective is to promote greater accountability among municipalities. The paper ignores the fact that fiscal restraint has already imposed its own measure of efficiency on local government. It is something of an affront that the Province should suggest that locally elected officials are not spending wisely and effectively. In the long term, what the Provincial Discussion Paper has proposed has the real potential to force municipalities to reduce essential services, not increase efficiency.

Accountability

If the Province truly believes that local accountability is an important objective, it must be prepared to create more, not less, unconditional funding for local government to enable locally elected officials to get on with their jobs. The two-grant system proposed in the discussion paper does nothing to enhance the existing level of municipal accountability.

Impact of the Unconditional Grants Proposal on Metro Toronto

Aside from the general policy implications of the Provincial proposal, and its failure to address the major issues (such as a long-term funding arrangement) which Metro Council has supported repeatedly in the last 10 years, the proposal for a two grant system would have an immediate dollar impact on the Metro Corporation. Table III shows the existing distribution of unconditional funding.

According to Provincial estimates, the shift to a per household grant system would result in an increase of 6.1% in funding to the Metro Toronto region. Table IV shows the impact of the proposed changes on the Metropolitan area municipalities. It illustrates that the Borough of York would be adversely affected by the proposed system with an estimated drop in grant revenue of 17.1% and Scarborough would be marginally affected. All other area municipalities would stand to gain. The loss incurred by York is caused by the elimination of the resource equalization grant under the proposed system. At present this grant accounts for approximately 65% of the total unconditional grants paid directly to York.

Metro Toronto's share would be decreased because the average per household grant rate which is now the equivalent of $125.00 would fall to the average for all regions in the south which is $120.00 per household. Application of the rate of $120 per household for Metro

TABLE III

METROPOLITAN TORONTO: HOUSEHOLDS, POPULATION AND DISTRIBUTION OF UNCONDITIONAL GRANTS (1982)*

	Households	Population	Total Unconditional Grants	Grant Rate Per Household	Resource Equalization Grant	General Support Grant	General Per Capita Grant	Police Per Capita
METRO TORONTO	824,492	2,189,180	103,061,519	125	7,884,833	33,879,646	24,080,980	37,216,060
CITY OF TORONTO	272,523	652,403	13,898,722	51		13,898,722		
CITY OF NORTH YORK	194,436	566,443	6,416,387	33		6,416,387		
BOROUGH OF ETOBICOKE	108,688	296,298	3,804,067	35		3,804,067		
BOROUGH OF SCARBOROUGH	149,400	433,825	9,412,173	63	4,354,926	5,057,247		
BOROUGH OF YORK	54,167	135,753	4,875,050	91	3,173,637	1,701,413		
BOROUGH OF EAST YORK	43,445	104,408	2,128,792	49	1,039,476	1,089,316		
TOTAL METRO REGION	824,492	2,189,180	143,596,710	175**	16,452,872	65,846,798	24,080,980	37,216,060

** Weighted Average

* Calculation of Per Household Grant Rates and Households are Based on Preliminary Estimates From the Province. Some Rounding has Occurred.

TABLE IV

METROPOLITAN TORONTO -
IMPACT OF PROPOSED UNCONDITIONAL GRANTS*
($000's)

AREA MUNICIPALITY	1982 APPORTION-MENT (%)	1982 TOTAL EXISTING GRANTS	1982 TOTAL PROPOSED GRANTS	$ CHANGE	% CHANGE
City of Toronto	39.41	54,515.2	56,705.9	+2,190.7	+4.0
City of North York	23.65	30,790.4	36,037.4	+5,247.0	+17.0
Borough of Etobicoke	14.76	19,016.6	21,668.1	+2,651.5	+13.9
Borough of Scarborough	14.86	24,727.1	24,413.3	-313.8	-1.3
Borough of York	3.88	8,873.8	7,359.7	-1,514.1	-17.1
Borough of East York	3.44	5,674.2	6,227.4	+553.2	+9.7
METRO REGION TOTAL	**100.0**	**143,596.7**	**152,411.8**	**+8,815.1**	**+6.1**

*DISTRIBUTED TO THE AREA MUNICIPALITIES ON THE BASIS OF THE 1982 APPORTIONMENT FOR BUDGET PURPOSES.

INCLUDES THOSE GRANTS RECEIVED DIRECTLY BY AREA MUNICIPALITIES AND THE APPORTIONED METRO GRANTS.

SOURCE: PRELIMINARY PROVINCIAL ESTIMATES OF THE IMPACT OF THE NEW SYSTEM.

itself would produce a net decrease of $4.1 million in unconditional grants or 4.0%. In Table IV this decrease is apportioned across the area municipalities.

In total, the major cities outside regional jurisdictions, such as London and Windsor, stand to lose the most. Table V illustrates the general shift which would have occurred in terms of 1982 unconditional funding. The total transfers base is of course protected.

A key consideration is not one of immediate dollar loss, but the long-term impact. By going to a household base, the two grants which have had the most significant growth rate, the resource equalization grant and the general support grant, are lost. Because households have grown more slowly than either inflation or the general level of municipal spending, the potential loss in terms of future funding will be substantial.

From 1978 to 1982, the general support grant has grown at a compound annual rate of 11.5%. From 1980 (the time of its inception) to 1982, the resource equalization grant grew at a compound annual rate of 34.1%. In contrast, the per capita grants have grown at a compound annual rate of about 3.3%. (See Table II).

It is useful to compare population growth in Metro, 0.5% annually since 1974 and growth in households which has been about 2.3% annually over the same period. Therefore, if a household based grant is employed, the Metropolitan Corporation certainly stands to gain in relation to the existing per capita based grants. However, the gains to be made from this are more than offset by the potential losses which would result from no longer having the two levy based grants.

The levy based grants currently provide the best measure of "certainty" that municipalities have. It can also be argued that these grants meet most of the other objectives described in the Provincial discussion paper.

TABLE V

ALL SECTORS - IMPACT OF PROPOSED UNCONDITIONAL GRANTS

($ Millions)

	1982 EXISTING GRANTS	1982 PROPOSED GRANTS	% CHANGE
South			
Metro	143.6	152.6	6.1
Regions	207.1	209.0	1.0
Cities	87.1	80.6	-7.4
Rural	81.9	79.6	-2.7
	519.7	521.8	0.4
North			
Sudbury	28.1	28.4	1.1
Cities	53.8	52.7	-2.2
Rural	46.6	45.5	-2.2
	128.5	126.6	-1.5
	648.2	648.4	-

SOURCE: Based on Preliminary Estimates Provided by the Province.
Some Rounding has Occurred.

6. CONDITIONAL GRANTS

In 1978, the Provincial-Municipal Grants Reform Committee documented some 90 different grants programs of which only 4 were "unconditional". In September of 1982, the Province's own publication on the subject indicated that the number of grants has grown.

Metro Council's response to the 1978 Report is no less timely today:

> ...the present primarily conditional grants system is increasingly unsuitable to Metropolitan Toronto's needs. In a time of limited resources, the differential funding levels distort the priority setting process;...in a number of fields, provincial grant programs fail to recognize Metropolitan Toronto's unique needs. (P.S.)

This serves to impair local autonomy and creates "jurisdictional entanglement" which clouds accountability. Efficiency is equally impaired because of the detailed administrative requirements of most conditional grant programs.

The original basis for conditional grants was the desire by the Province to foster certain levels of service in specific functional areas. While some areas still require such support and encouragement, many grant programs are unnecessary. For example, after over 50 years of roads grants, it is pointless to suggest that Metro Toronto would cease to build roads if permitted to utilize unconditional funding. Special purpose funding of the sort employed to foster energy conservation or the recent C.O.E.D. Program may indeed be appropriate on occasion, but municipalities in Metro have demonstrated their capacity to plan, fund and administer all services required by the legislative mandate.

The issues of general concern with respect to conditional grants have been dealt with in Metro Council's response to the Grants Reform Report of 1978 and are summarized in Section 2 of this paper. Appendix B to this report is a copy of Metro Toronto's response to the Provincial-Municipal Grants Reform Committee's Report. Appendix C is a list of conditional grants which Metro Toronto receives.

In addition to the comprehensive review of conditional grants by Metro staff following the Grants Reform Report, individual grants have been studied on an ad hoc basis on several occasions. A review of funding of Community Services was conducted in 1981 and presented to Council on October 8th of that year in a report from the Acting Commissioner of Community Services entitled "Need for Provincial Rationalization on Planning and Funding of Community Services". Concern has also been voiced about the need for consistent and continued funding of Ambulance Services. In 1983, the subsidies allocation by the Province for Roads in Metro reached a ceiling which was not sufficient to meet all of Metro's needs.

Because it is unlikely that the Province will ever "deconditionalize" the grants system and recognize the maturity and sophistication of Metro's managerial and financial planning processes, Council must ensure that Metro makes the best use of funding available; that where funding is inadequate, it is brought to the attention of the Province; that administrative inefficiency is minimized and that Metro is receiving an appropriate and equitable share of available funding.

These and concerns about other forms of conditional funding continue to be evident. Because the conditional grants are many, and their funding formulas complex, no attempt has been made in this paper to deal with them individually. It is recommended that the Commissioner of Management Services coordinate a separate review of conditional grants in conjunction with each Department, Board and Commission concerned and provide detailed recommendations for improvement of the conditional grants system.

7. CONCLUSIONS

Metro Council's policy position on the need for an equitable, adequate, long-term funding arrangement with respect to Provincial transfers continues to be valid and supportable. The last substantial commitment by the Province was made by Treasurer John White in the 1974 Budget. Since that time, the Province has made a number of adjustments to transfer payment formulas and introduced new grants such as the resource equalization grant in an attempt to deal with the dilemma of finding a system that meets the various objectives already described. For all its sincere efforts, the Province has succeeded in adding to the confusion, complexity and uncertainty of the process.

The Unconditional Grants proposals offered by the Minister of Municipal Affairs and Housing do not meet the objectives that the Province has set. The proposals do not meet the need for "certainty" which must come from a long-term funding commitment, nor are they as "simple" as they would appear, since the problems of defining households and the criteria for distribution of the so-called special services grants remain unsolved. Lost would be the "fairness" and "equity" of the levy-based grants which directly reflect the needs of municipalities as expressed in the expenditure commitments of their elected councils. "Accountability" as a result of the Provincial proposals is enhanced only to the degree that the long-term reduction in Provincial funding (as a result of the shift to households which grow at a rate far less than the rate of growth of levy-based grants) will require a higher level of property taxation, something for which municipal elected officials are always accountable. Finally, the reduction in funding which would result from the Provincial proposal assuming the Province does not raise the grant rate in line with inflation, has the potential to produce not greater efficiency, something which municipalities continue to demonstrate in their budgetary processes, but hardship.

While Metro Council should reiterate its existing position with respect to the need for long-term funding arrangement, it is also appropriate that the attempts by the Province to improve the transfer payments system be recognized and supported. In this regard, changing the existing per capita grants or a portion thereof, to a household base would be acceptable. For these grants, the use of the households base would provide improved stability and a better system. Until the long-term funding problem is resolved, the remaining portion should continue to be on a levy basis. This at present includes the general support grant, northern support grant, and resource equalization grant. The Province should review its method for compensating those municipalities who due to lack of resources find it difficult to maintain services. Any change in the unconditional grants system which results in significant shifts in funding should be phased in during a transitional period and appropriate interim Provincial funding be provided to municipalities which suffer lost revenues as a result. This is particularly important for the Borough of York.

With respect to municipal cost-sharing, Metro should reiterate its position that three actions are necessary to rationalize the process. Firstly, an area wide Section 63 is essential. Secondly, residential assessment should be weighted in the apportionment calculation. Lastly, per capita grants should be included in general revenue in the apportionment exercise. These actions should be implemented simultaneously to reduce the overall impact on area municipalities.

Until the Province is prepared to state what it will accept as a "consensus for change" from municipal elected councils, any position on municipal cost-sharing by Metro Council would be premature. Indeed, until the Ministry of Revenue's recently completed Impact Study on Section 63 Reassessment for Metro Toronto is available for study by Metro Council, a knowledgeable and considered decision is not possible.

To conclude, it is appropriate that there be a continuing and meaningful dialogue between the Province and its municipalities (through the Association of Municipalities of Ontario) on the subject of Provincial transfers. The Provincial discussion paper should be viewed as a first step in a process that will hopefully lead to a mutually agreeable, long-term funding arrangement.

RECOMMENDATIONS

It is recommended that:

1. Metro Council commend the Minister of Municipal Affairs and Housing for his initiative in setting forward the Provincial Discussion Paper on Unconditional Grants and support a continuing dialogue between the Province and municipalities on transfer payments.

2. Metro Council reiterate its previous positions with respect to Provincial Transfer Payments to Metro Toronto as summarized in Schedule A. and forward copies of this Report to the Provincial Minister of Municipal Affairs and Housing and to the Association of Municipalities of Ontario.

3. Metro Council support the principle that an increased proportion of unconditional funding should be in the form of levy based grants which recognize the budgetary needs of municipalities.

4. Without prejudice to its previous positions as outlined in recommendations 2 and 3, and as an interim measure to improve the existing unconditional grants system, Metro Council support the principle that per capita grants be changed to a household base.

5. Changes in the unconditional grants system caused by a new system which result in significant shifts in funding be phased in during a transitional period with appropriate interim Provincial funding being made available to municipalities such as the Borough of York to offset any detrimental impact.

6. The Province be requested to state what it will accept as a "consensus for change" in the context of Municipal cost-sharing as set out in the Provincial discussion paper of February 1983.

7. The Province provide Metro Council with the results of the Ministry of Revenue's Impact Study on Section 63 Reassessment of Metro Toronto.

8. The Commissioner of Management Services be directed to conduct, in conjunction with the heads of Metro Departments, Boards and Commissions a comprehensive study of conditional grants received by the Metropolitan Corporation and to prepare proposals for improving the conditional grants system.

SCHEDULE A. A Summary of Metropolitan Toronto Council Policy Positions on Provincial Transfers

First Principles

* The Province must expand the tax base of regional governments by introducing tax sharing as a method of increasing municipal revenues. (Tax sharing is defined as the joint occupancy of a single tax field by more than one level of government, each with the power to levy its own taxes but with the collection of taxes centralized with one authority.) (Council, March 26, 1974)

* Conditional grants should be used solely to insure that municipalities provide services which are deemed essential and provided for in mandatory legislation in which the municipality is compensated for the full cost of the service. (Council, March 26, 1974)

* Stimulation grants defined in permissive legislation should be used to allow municipalities to experiment in the development of new services; such grants would be available on a block funding basis. (Council, March 26, 1974)

* The proposed tax sharing arrangement should replace the unconditional grants system in regional municipalities to foster stronger local autonomy and accountability. (Council, March 26, 1974)

* Equalization grants should become a central feature of the transfer payment's system because municipalities vary in size and in their economic base. The basis for such a grant system should be a rationalized system of financial reporting on expenditures which would reflect the total revenue capacity of the regions and the ability of regions and area municipalities to finance their needs. (Council, March 26, 1974)

Specific Reforms

Recognizing that the proposed tax sharing arrangement is a long-term solution, Metro Council has also supported a number of specific changes which would improve the transfer payments system in the interim and until a more effective long-term funding arrangement can be agreed to.

* As an alternative to tax sharing, the Ontario government be requested to enter into three year binding statutory cost sharing agreements on terms and conditions acceptable to Metro Council and the area municipalities. (Council, October 28, 1977)

* Assuming that the Province is unwilling to implement Council's preferred position on tax sharing, Ontario's per capita grants be converted to a per household basis. (Council, October 28, 1977)

* Provincial municipal transfers in the following areas be replaced by multi-year cost sharing agreements that correspond to the term of council (three years): (Council, June 23, 1978)

    Police
    Transit
    Roads & Traffic
    Housing
    Ambulance Services
    Environmental Protection
    Income Maintenance
    Social Services
    Library Services

Any scheme for grants reform include a guarantee that the real level of provincial transfers to Metropolitian Toronto will not drop except as a result of mutually agreed transfers of responsibility between levels of government. (Council, June 23, 1978)

* The Province be requested to increase the general support grant for Metropolitian Toronto to an amount sufficient to equal the sum of the existing per capita grants and the existing general support grant (in terms of a 1980 base) and that per capita grants be subsequently terminated. (Council, January 15, 1980)

APPENDIX A

CHRONOLOGY OF PROVINCIAL-MUNICIPAL FINANCIAL REFORM

APPENDIX A CHRONOLOGY OF PROVINCIAL-MUNICIPAL FINANCIAL REFORM

Since 1967, the Province of Ontario has encouraged and initiated a number of attempts aimed at reform of local government finances. Various Commissions, Committees and individuals have been asked to solve specific problems or to offer ways to improve existing systems.

Metropolitan Toronto, as Ontario's largest municipality, has had a special and continuing interest in the Province's efforts. Indeed, Metro has been the specific subject of a number of major studies and reports.

The description which follows highlights the various studies and reports which have been prepared over the last 15 years. It is offered simply as a way to put Metro Council's position into an historical perspective. It serves to illustrate the complexity and longevity of the problems of municipal financial reform. It also illustrates the general lack of concensus which has persisted since the 1967 Smith Committee Report.

1967 The Ontario Committee on Taxation

This was one of Ontario's earliest attempts at comprehensive tax reform. The Ontario Committee on Taxation (named the Smith Committee after its Chairman, L.J. Smith) is one of the most frequently quoted documents in local government literature. The Committee's Report became in very large measure the basis for the extensive structural and financial reforms which occurred in the years following its release. The Report offered an articulate statement about the role of local government and its relationship to the Canadian Federal system. It enunciated four basic principles for sound local government:

Local Autonomy

Municipalities should be accorded a wide measure of discretionary authority over the quantity and quality of the public services entrusted to them, and equipped with sources of revenue both adequate for the discharge of their spending responsibilities and sufficient to ensure direct acccountability to the public. Properly understood, the principle of local autonomy is not a refuge for

municipalities too small or weakly organized to permit the responsible discharge of important functions. Nor does it sanction the endless multiplication of special-purpose authorities constituted for the provision of a single service, often to the confusion of the electorate and to the detriment of public accountability. Rather, local autonomy, as we envisage it, is both a safeguard to the integrity of municipal democracy and efficiency and a clarion call for municipal institutions capable of bringing responsive administration to all parts of a province.

Provincial Responsibility

This latter principle (provincial responsibility) draws on the incontrovertible fact that municipalities are creatures of the province and legally subject to provincial statutes. It emphasizes, however, that the considerable power vested in provincial legislatures should only be discharged with reference to an abiding and pervasive concern for the promotion of healthy municipal institutions. Thus the power of a province to create municipalities involves a heavy responsibility for organizing local authorities that will embody a population, area and resources adequate for the conduct of efficient government.

Equalization

Equalization is, of course, a no less necessary adjunct of local autonomy than it is of provincial autonomy, in that all municipalities must have the financial resources to provide minimally satisfactory levels of public service. But in the provincial-municipal realm, equalization also becomes a highly important concomitant of a province's statutory power over local institutions. Because a province has the power to create municipalities, it is in a position to assess the desirability of pooling tax resources through larger units of local government as an alternative to equalization grants. Furthermore, if a province has the authority not only to devolve mandatory functions upon local government but also to prescribe standards of municipal performance, the need to take account of inter-municipal differences in fiscal capacity is clear and unambiguous.

...A
must be ready to provide practical administrative guidance and aid whenever it chooses to exercise its superior powers in the municipal realm. ...

At this point we should make it plain that in espousing the principle of assistance, we do not advocate a provincial tutelage over municipalities. Local autonomy, defined simply as a wide measure of

> discretionary municipal authority, well grounded on close accountability to the local electorate, remains a prime requisite for a healthy municipal system. Accordingly, the principle of provincial assistance should be understood as looking toward stronger municipal government. We would regard provincial measures that sapped municipalities of their vitality as a harmful disturbance of the provincial-municipal climate that we advocate, a climate in which local autonomy and provincial responsibility provide mutual reinforcement.

The Smith Committee Report went on to make a series of recommendations dealing with taxation generally and local government structures and financing specifically. Among its many recommendations the Report called for the introduction of "regional governments", transfer of the assessment function to the provincial government, assessment of property at "actual value" and substantial revisions to provincial grants programs.

1968 The Select Committee of the Legislature on Taxation in Ontario

The Select Committee was created to review the findings of the Smith Committee and to recommend a specific legislative program. The Select Committee's findings mirrored those of the Smith Committee's and were embodied in a report entitled "Taxation in Ontario: A Program for Reform". This became the basis for subsequent legislation.

1968-1972 Design for Development

"Design for Development" was a series of policy proposals which attempted to integrate regional land use and economic planning and to provide a framework for Provincial development over the coming 20 to 30 years. "Design for Development: Phase 2" (1968) called for structural reform and the creation of a system of regional governments patterned after Metropolitan Toronto. This proposal included major shifts in the financial structure.

"Design for Development: the Toronto Centered Region" (1970) represented a further refinement of the conceptual plan for regional

planning and economic development. The Report recognized Metro's position as the focal point for development in southern Ontario and set as one of its goals, the redistribution of growth and development to the east of Metro as opposed to the existing trend toward the west.

Policies of this nature (e.g. the subsequent COLUC Report) continued to surface but were eventually put to rest with the disolution of the Province's Regional Planning and Development Branch. Subsequently regional planning and development continued but no longer was it put in the context of broad-based, highly visable conceptual schemes.

1973 The Edmonton Commitment

Metropolitan Toronto was a constituent member of the Municipal Liaison Committee (MLC) which included representatives from all of Ontario's Municipal Associations. Meeting with the Provincial Treasurer as the Provincial-Municipal Liaison Committee (PMLC), the Municipal representatives had frequently voiced their support for greater consistency and certainty concerning the Provincial transfer payments system. Then Treasurer, John White was probably the Cabinet Minister most sympathetic to the needs of Ontario municipalities. He also recognized the inherent relationship of local autonomy and provincial responsibility as espoused by the Smith Committee.

In 1973, at the Second National Tri-level Conference in Edmonton Alberta, Mr. White tabled a Provincial Position Paper on Public Finance that included the following statements:

(1) Provincial assistance (to local government in Ontario) in future years will grow at a rate not less than the rate of growth of Ontario's total revenue.

(2) Municipal borrowing capabilities will be strengthened.

(3) Increased federal tax sharing with Ontario will be delivered to local government, dollar for dollar.

Having committed itself to property tax reform (statements made shortly after taking over the assessment function in 1970), the Province was now introducing a formal policy designed to offer some measure of certainty concerning Provincial funding to municipalities and which would ultimately result in a meaningful revenue sharing dialogue. Needless to say, the final part of the Minister's statement put the onus on the Federal government to come up with additional dollars to assist municipalities.

In the years following, the Provincial government found it necessary to "re-interpret" the Edmonton Commitment and in 1978 conceded that it was no longer government policy.

1974 Provincial Budget

The Provincial Budget of 1974 included a significant shift in funding arrangements. The Province honoured John White's now famous "Edmonton Commitment" and it converted nine conditional grants to unconditional grants. Total funding to municipalities increased by 24% and unconditional grants increased about 31% (1974 over 1973).

1974 "Municipal Tax Reform", Position Paper from the Office of the Metro Chairman

The following are excerpts from the Policy Paper entitled "Municipal Tax Reform" which was endorsed by Metro Council on March 26, 1974.

> Metropolitan Toronto recognizes the effort made by the Province to reform and to improve the municipal tax system, and to increase the revenues available to regional and local governments in Ontario. In our view, however, the unwillingness of the Province to consider the possibility of tax sharing as a method for alleviating the financial imbalance between resources and responsibilities at the local level simply means that the fundamental problem of public finance in Ontario will not be solved.

Unless and until the local governments of this Province have more direct control over a larger revenue base, local autonomy is a sham and public accountability is restricted. The first step in any reform of the tax system of local government must be to strengthen the accountability of local government for both the expenditure and the raising of public money. We believe that local government, whether at the regional or city and borough level, must be responsible for its actions to the electorate and taxpayers of the area. Dependence upon transfers erodes accountability and responsibility.

Our recommendations have been developed with two fundamental purposes in mind:

(1) to improve the accountability of local government; and

(2) to ensure that local government has the resources to provide public services to the people of the region.

A. A REGIONAL SYSTEM OF PUBLIC ACCOUNTS

Provincial efforts to reform the tax system has been frustrated by the lack of financial data on revenues, expenditures and transfers on a sub-provincial geographic basis.

In our view, a full accounting of the public finance system is needed as a basis for any rational reform of the tax system at the municipal level.

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B. THE EXPANSION OF THE METRO TAX BASE

We strongly recommend that the province expand the tax base of regional governments by introducing tax sharing as a method of increasing municipal revenues. Tax sharing is defined as the joint occupancy of a single tax field by more than one level of government, each with the power to levy its own taxes, but with the collection of taxes centralized with one authority.

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C. CONDITIONAL GRANTS

Conditional grants should be used solely to ensure that municipalities provide services deemed essential by the provincial government. When used in conjunction with mandatory rather than permissive legislation, they can be justified as support for services or programs that are considered as essential by the province and the municipality should be compensated for the full cost of the service.

Conditional grants in support of services established by mandatory legislation should be distinguished from stimulation grants. Stimulation grants, tied to permissive legislation, should be used to allow municipalities to experiment in the development of new services.

Stimulation grants should be broadly defined to cover an area of concern rather than a specific project. They should be made available on a block-funding basis (that is funds should be assigned on a geographic basis in support of general areas of activity). Municipalities should be responsible for development of programs within these general areas of activity and provincial funds should be contingent upon approval of projects. Such a scheme would be based on a standardized geographic system of financial accounts. If this is developed, both the Province and the regions and counties will be in a better position to develop a cooperative budgeting system to maximize the fiscal impact of government spending and rationalize programs to achieve maximum efficiency.

From the Province's point of view, the development of block fund stimulation grants provides for the necessary budgetary controls over expenditures. The municipalities will also know the total amount of money available within each program area from the Province and be able to develop a program mix that reflects local needs and requirements.

Services deemed essential by the Province, but carried out by the municipality, would be imposed by mandatory legislation and a 100 per cent grant. Such a system should be used only where there are cost savings or administrative advantages in having the program operated at a municipal level. In all other circumstances, permissive legislation and block funding stimulation grants should be used.

D. ELIMINATION OF UNCONDITIONAL GRANTS TO REGIONS AND RESTRUCTURED COUNTIES

The proposed expansion of the tax base of regions should replace the unconditional grant system. As the Smith Committee pointed out, revenue deficiency grants cannot be squared with the philosophical principle of local autonomy. If, as we have argued, the province moves towards tax sharing for regional governments and restructured counties, there is no practical justification for unconditional grants.

Similarly, the use of stimulation grants through geographic block funding, should ensure the necessary flow of funds to municipalities and regions to support programs. The reduction of administrative controls under such a scheme would allow for the essential variation of service and administration. Finally, because the system is set up within a public accounts system related to geographic areas, total expenditures by both the province and the municipalities would be known to the taxpayer and acccountability would be achieved.

It may well be necessary to provide unconditional grants to municipalities not contained in the regional government system. This fits in with our general proposition that the province accept the necessity to adopt flexible policies in dealing with the municipal finance problem. Thus, it should be prepared to continue to use unconditional grants as a stop-gap arrangement until the process of municipal structure reform is completed.

E. EQUALIZATION GRANTS

Equalization grants should become the central feature of the transfer system. Because of variations in the size of municipalities and regions and in their economic base, the revenue potential will vary considerably. Equalization grants will, therefore, be essential.

The key to the system, however, is the development of a more sophisticated method of determining the deficiency of the revenue base. At present, this is done through the rather crude method of assessment. If a geographic based financial accounts system was developed, it would give a better measure of the revenue deficiency of municipalities on a region or county level. Given this statistical base, including federal, provincial and municipal revenues, an equalization formula could then be developed and equalization grants paid to bring the total municipal revenues up to minimum standard.

Such a system is dependent upon the completion of municipal restructuring and would equalize municipal revenues on a regional rather than an individual municipal base. The determination of the allocation of a regional equalization grant would then be worked out at the regional level reflecting the split in functions between the region and the area municipalities and the determination of need.

The development of an intra-regional allocation on the basis of need would be possible, provided that there was a rationalization of financial reporting on expenditures. It is essential to develop a better basis for determining the financial capacity of local governments and the cost of the provision of services. A standardization system cannot be applied because of the variation in division of functions between a region or restructured county and the constituent area municipalities. The determination of a method for allocating equalization grants must be worked out in each region and approved by the Province. Provincial approval would protect the small area municipalities and ensure an equitable distribution of the funds.

TOWARDS A TOTAL SYSTEM

The proposal for reform of the finance system is based on four essential criteria.

First, the system is designed to maximize accountability. The province is directly responsible for all programs or services provided by local government under mandatory legislation and pays for the full cost through grants. Municipal responsibility is limited to the administration of the program subject to provincial control through inspection and audit.

Second, stimulation grants tied to permissive legislation should be established on a geographic basis. Because the amount of money

available from the Province is specified, and policy guidelines establish the range of services covered and minimum standards required, the provincial contribution of these funds is a local decision. Equally important is the flexibility open to local government to determine how the money will be spent. The blockfunding approach has the dual advantage of allowing ultimate provincial control combined with maximum local decision-making. This guarantees accountability for expenditures both at the provincial and municipal level.

Third, the expansion of the regional tax base through tax sharing and the reduction of unconditional grants is fundamental to the principle of accountability. This, more than anything else, will ensure that the local government is responsible to the electorate for its actions.

Fourth, the equalization grant scheme forms the essential underpinning of the whole public finance system. By basing the grant on the total revenue capacity of a region, it more truly reflects the ability of the region and the area municipalities to finance local services. There is no reason why the federal government, having access to such a large share of the direct tax field, should not participate in an equalization scheme and reduce its dependence on shared-cost programs in areas where these programs are designed to fund municipal expenditures.

1976 Commission on the Reform of Property Taxation in Ontario

This Commission, chaired by Willis Blair, was formed by the Province in May 1976 to review proposals for property tax reform, solicit the views and opinions of interested parties and to make recommendations. Part of the work of the Commission was to review the proposals contained in the Provincial Government's Budget Paper E "Reform of Property Taxation in Ontario" which had been released earlier the same year. The Blair Commission reported in March of 1977. Its various recommendations and those of Budget Paper E are compared below:

RECOMMENDATION		BUDGET PAPER E	BLAIR COMMISSION
1.	Taxes on Residences	Residences should bear a reduced share of property taxes. Tax at 50% of market value	Agrees with BPE. Apartment owners must pass on reduction and/or increases for 5 years or term of lease
2.	Residential Property Redefined	Vacant land, recreational land and railway right-of-ways should not be classified as residential	Agree, but local councils to be able to grant deferrals of up to half of taxes on recreational land
3.	Mill Rates	Levy a uniform mill rate on residential and commercial property	Agree
4.	Farms and Managed Forests	Tax farmland as commercial but farmhouse as residential. Province to pay tax on farmland, which will be recovered if the property changes use	Agree, except Province should pay only 90% of farmland taxes. Lack of use due to death, sickness or retirement not to constitute change of use
5.	Business Assessment	All business including government administration subject to additional 50% business assessment	Agree except no business assessment on government administration. Give preferred creditor status to municipalities in respect of a default
6.	Public Property	All public property subject to grants-in-lieu equal to full taxes	Agree
7.	Exempt Property	Exempt churches, cemetaries and Indian lands only (highways, minerals and machinery assumed exempt)	Charitable organizations also can be exempt on recommendation of a local Exemption Review Committee. Provincial Government should pay taxes for Private Schools
8.	Phase-In Tax Reform	Uniform phase-in over five years to prevent abrupt tax changes	Agree. Should be up to the local municipality to decide if wanted
9.	Return of Assessment Rolls	Assessment rolls to be returned every two years	Agree

RECOMMENDATION	BUDGET PAPER E	BLAIR COMMISSION
10. Government Property School Support	Provincial assessment to be assigned in proportion to residential assessment	Agree and extend to all government bodies. School Boards to direct their own assessment
11. Shared Costs	Costs among municipalities to be shared on the basis of taxable assessment and payments-in-lieu-of-taxes assessment	Agree, but use a mill rate rather than percentages as is done now
12. Grants Based on Assessment	Assessment used for grants calculations should be the taxable assessment and payments-in-lieu-of-taxes assessment	Agree, with assessment exempted from taxes by the Exemption Review Committee included
13. Unorganized Areas	The Assessment Act will apply to unorganized areas as well	Agree
14. Grant Supported Bodies	Property tax to be an allowable expense for all provincial grant supported bodies	Agree, including raising grant ceilings to compensate for property taxes
15. Property Tax Credit	The property tax credit should be strengthened if necessary	Agree: A method of strengthening the property tax credit is recommended

The Blair Commission stressed the need to implement market value assessment as quickly as possible so that the 1975 market value assessment figures gathered by the Province would not be wasted. The Commission also recommended monitoring municipal spending closely so that market value assessment would not be used to camouflage large increases in municipal levies. A final recommendation was made to prohibit the sending of separate tax bills for municipal and school purposes.

1977 The Royal Commission on Metropolitan Toronto

The Report of the Royal Commission on Metropolitan Toronto (the Robarts Report) included a number of recommendations dealing with transfer payments. In its submission to the Royal Commission, Metro had stressed the need for meaningful dialogue between the Province and Metro Toronto

on how best to "Unconditionalize" grants and assure some level of certainty in total transfers. The Royal Commission's recommendations were contained in Chapter 10 of the Report. Metro Council's response was recorded on October 28, 1977:

Chapter 10: Finance

10.1 The Ontario property tax credit be revised so that it covers the same proportion of property taxes paid by taxpayers of comparable income throughout Ontario.

The (Metro Council) Committee concurred in the foregoing recommendation.

10.2 Ontario's per capita grants programme be reviewed to assess the feasibility of converting it to a per household basis and making it more responsive to the costs of the more populous regional and Metropolitan municipalities.

10.3 All conditional grants whose purpose is to provide an incentive to municipalities to provide services or facilities, with the exception of housing grants, be eliminated for municipalities in Metropolitan Toronto.

10.4 Existing intergovernmental grant programmes as they apply to Metropolitan Toronto be replaced with three-year cost-sharing agreements for provincial and (where applicable) federal support of municipally administered programmes for which there is a recognized financial responsibility on the part of the other levels of government. Such agreements be negotiated jointly by the provincial government and the municipalities in the Metro system.

The Committee re-emphasized the Metropolitan Council position in favour of tax sharing.

The Committee took the position that the financial reforms suggested in these three recommendations should be supported only as an interim step towards the development of a full tax-sharing agreement with the provincial government as outlined in the Metropolitan Council's policy paper on Municipal Tax Reform adopted in 1974.

Until such a basic reform is realized, the Committee viewed the improvement in the existing revenue-sharing and grant system as essential. To this end, the Committee concurred in Recommendation 10.2. In regard to the elimination of conditional grants (10.3), the Committee could not accept the suggestion that housing grants,

which have had limited applicability for Metropolitan Toronto, should be retained. It was felt that deconditionalization might well be feasible, but that it would be more appropriate to await the report of the provincial-municipal committee studying grant reform before taking a final position.

Finally, Recommendation 10.4 was accepted as an alternative to tax-sharing providing that the Ontario Government was prepared to enter into three-year binding agreements on terms and conditions acceptable to the Metropolitan Council and the area municipalities.

10.5 The Ontario Municipal Board's function with regard to approval of capital projects of local authorities in Metropolitan Toronto be limited to ensuring that total borrowing by the authorities known and within acceptable financial limits, is for capital purposes only, is for a term not longer than the life of the assets to be created, and conforms to clearly stated provincial policy concerning capital expenditures.

The Committee concurred in the foregoing recommendation.

10.6 Responsibility for hearing and deciding on objections to municipal capital projects be transferred from the Ontario Municipal Board to municipal councils. Procedures for consideration of municipal capital programmes by council include publication of the programmes and the holding of formal hearings on them.

The Committee concurred in the foregoing recommendation.

10.7 All provincial payments for local services except education be made to municipalities rather than directly to special purpose authorities.

The Committee concurred in the foregoing recommendation.

10.8 All municipalities in Metropolitan Toronto be encouraged to develop a capacity for multi-year financial forecasting and planning.

The Committee concurred in the foregoing recommendation, noting that if Recommendation 10.4 is adopted, this capability is essential.

10.9 Local authorities in Metropolitan Toronto examine the findings of the Commission's study. "The Organization of Administrative Support Services in Metropolitan Toronto", and take appropriate cooperative action.

The Committee concurred in the foregoing recommendation.

Recommendation 10.3

- The Metropolitan Council added to the comment of The Special Committee the following:

"It is recommended that Metropolitan Council advise the Ministry of Treasury, Economics and Inter-Governmental Affairs of the Province of Ontario as follows:

WHEREAS that portion of the recommendations contained in the report of The Royal Commission on Metropolitan Toronto dealing with the matter of 'finance' contains certain generalizations of substantial importance to the Metropolitan Municipalities:

AND WHEREAS included within such recommendations are proposals to eliminate all conditional grants (with the exception of housing grants) and to replace existing inter-governmental grant programmes with 3-year cost-sharing agreements for Provincial and Federal support of municipally-administered programmes for which there is a recognized financial responsibility on the part of the other levels of governments.

AND WHEREAS the said report of The Royal Commission is vague and too generalized to permit Municipalities to comment or advance counterpositions to provide rebuttal:

NOW THEREFORE BE IT RESOLVED THAT the Metropolitan Council recommend that:

(1) before input provided by the Municipalities with respect to the matter of finance, the Government of the Province of Ontario be requested to produce a paper of intent as to its acceptance or rejection, in whole or in part, on the financial proposals contained within the report of The Royal Commission.

(2) the said Government define specifically in dollars and cents values how such proposals will affect the revenues of the Municipalities to permit a proper evaluation; and

(3) the Government of the Province of Ontario be further requested to provide a complete listing of all grants that would be classified as 'incentive grants' to permit the Municipalities to adequately evaluate the potential grant loss."

Recommendation 10.4

- The Metropolitan Council amended the recommendation of The Special Committee by:

(1) inserting the word "statutory" after the word "binding" in order that such recommendation shall read as follows:

"Rcommendation 10.4 was accepted as an alternative to tax sharing, providing that the Ontario Government was prepared to enter into three-year binding statutory agreements on terms and conditions accceptable to the Metropolitan Council and the Area Municipalities," and

(2) by adding to the recommendation of The Special Committee the following:

"It is further recommended that the Ministry of Treasury, Economics and Inter-Governmental Affairs be advised that Metropolitan Council:

(a) considers a three-year cost-sharing agreement is not sufficient for long-range planning and financing:

(b) opposes the Robarts recommendations and urges retention of the present system whereby subsidies for streets are provided by the Ministry of Transportation and Communications on an equal basis to all Municipalities in the Province of Ontario unless:

(1) the Province agrees to fully fund any new programmes introduced by the Province during the course of a three-year cost-sharing agreement; and

(2) the Province agrees to fund any unusual or unexpected projects;

and that

(3) any cost-sharing formulas introduced by the Province be subject to prior approval by Metropolitan Toronto and the Area Municipalities;

(4) any change over from the present system to cost-sharing agreement be accompanied by a provincial guarantee that the Municipality receive nothing less than current support levels;

(5) the present subsidies and grants not be discontinued until a cost-sharing agreement satisfactory to both parties can be negotiated;

(6) once a cost-sharing agreement has been entered into, it remain in force until a subsequent agreement has been ratified by both parties;

(7) the appropriate officials from the operating ministries, such as the Ministry of Transportation and Communications and the Ministry of Health, be involved in the negotiations with the Municipalities;

(8) the ground rules for negotiations be set out in any legislation enacted;

(9) any agreements entered into are between Metropolitan Toronto, the Area Municipalities and the Province;

and further, that Metropolitan Toronto supports retention of the present system of financing roads, bridges and related items."

1977 The Provincial-Municipal Grants Reform Committee

This Committee reported in November of 1977 with over 100 recommendations for changes to the system of Provincial grants to municipalities. It was the most comprehensive review of Provincial grant programs ever undertaken and even today it is still the best source of information concerning Provincial grants. Metro staff reviewed all the recommendations and produced a comprehensive, detailed response that was presented to Council on June 23, 1978. As a result, Council adopted the brief which is included as Appendix B to this Report and forwarded to the Provincial Treasurer.

1978 The Provincial Local Government Committee on Property Tax Reform

Following the Blair Commission and the results of discussions concerning Budget Paper E (1977), the Province put forward on January 4, 1978,

proposals for an alternative system of property taxation. (One of the proposals was that all residential property be taxed at 50% of market value.)

A Committee of local government officials was formed to respond to these recommendations. Metro Toronto's Inter-governmental Affairs Sub-Committee had supported the formation of such a Committee in October 1977. While the detailed recommendations of the Committee are not included in their entirety, some of the recommendations of particular significance to Metro are as follows:

1.1 That, for the province as a whole, single residences (defined to include properties up to and including 5 residential units) should be taxed on 50% of market value and multiple residences (more than 5 units) should be taxed on 75% of market value.

1.2 That in Metro Toronto some flexibility be allowed in the weightings of single (as defined above) and multiple residences. A weighting of 45% for single residences and 80% for multiple residences might be appropriate, but the final decision should be left to Metro Toronto in consultation with its area municipalities.

1.3 That such flexibility continue for a limited period of up to 3 years, after which time Metro Toronto would phase its weightings to those in the rest of the province. The phase-in period should also be of limited duration.

1.4 That during the period in which Metro Toronto's weightings were not the same as elsewhere in the province, all grant entitlements would be calculated as if Metro were using the same weightings as the rest of the province.

1.5 That whatever weighting is decided for Metro Toronto, it should be standard for all municipalities in Metro and should apply for all levies and apportionments within Metro. It should also apply without change over the period before phasing toward the rest of the province starts.

1.6 That, in addition to the monitoring and revision of percentages proposed in the Alternative System, the percentages of market value assessment used for taxation of residences be reviewed within 5 years time with a view to eliminating, or at least reducing, the differential between multiple residences with

more than 5 units and other types of residences.

With respect to Provincial grants, the Committee's recommendations were:

7.3 That payments-in-lieu of property taxes on Provincial property and property of importance to the Province be considered as taxes and not grants, and that in the long term, the provincial-municipal fiscal system be adjusted to treat the results of reciprocal taxation neutrally.

7.4 That in light of the financial impact of full taxation of Provincial property and property of importance to the Province, the need to adjust some transfers in the short term is conceded.

7.5 That across-the-board cutbacks are unacceptable because the impact of payment-in-lieu enrichments will not be felt in a uniform way.

7.6 That reducing municipal unconditional grants would be a retrograde step.

7.7 That the strategy adopted for the transition not violate the principles proposed by the Provincial-Municipal Grants Reform Committee.

7.8 That care be taken to ensure that the implementation of full payments-in-lieu of taxes does not result in an illusory expansion in the proportion of taxes paid for education as reflected in the property tax bill.

1979 The Report of the Provincial-Municipal Long-Term Financial Arrangements Committee

With the demise of the Edmonton Commitment in September of 1978, the Province agreed to the formation of a joint Provincial-Municipal Committee to come up with an alternative to the Edmonton Commitment. Metro Council had supported the creation of such a Committee in October of 1977. A summary of the Committee's report is as follows:

Scope

It was agreed that municipal government be treated separately as far as a transfer formula is concerned. It was assumed that school boards would negotiate their own formula for determining the aggregate CLG commitment. At a later date, it may be possible to develop an arrangement that would include education transfer payments.

Time Span

It was agreed in principle, that there be a three-year agreement, with 1980-81 being the first transfer year and 1982-83 being the last transfer year. However, it was further agreed that both sides would review the operation of the forumla in 1980-81, and that it would be extended to the second and third years only if it was determined to be mutually satisfactory.

Transfer Base

It was agreed that the transfer bases would be 1979-80 conditional and unconditional grants to municipalities.

Basis of Agreement

It was agreed that unconditional grants be escalated by the rate of increase of Provincial revenue and conditional grants by the rate of increase of Provincial own Ministry expenditures.

Revenue Growth Defined

It was agreed that revenue growth should be defined in terms of Provincial Budgetary Revenue, per Table C-2 in the Provincial Budget.

Expenditure Growth Defined

It was agreed that own Ministry expenditure growth should be defined in terms of changes of Provincial Budgetary expenditures, per Table C-3 in the Provincial Budget, excluding public debt interest, local government transfers, and pension fund contributions. The Economic Development Fund would remain in the 1979-80 expenditure base.

Averaging

Agreement was reached on the principle of averaging. It was agreed that, for the unconditional transfers, the revenue growth rates used to calculate the 1980-81 transfers should be 3-year averages reaching back to 78-79/77-78. It was agreed that only 80-81 expenditure estimates should be used for 80-81 conditional grants, with 3 year averaging for 81-82 and 82-83, for the second and third years of the formula.

Commitment to Negotiate

It was agreed that the Province should discuss with the MLC any major changes that would affect transfer payments. More specifically, it was agreed to recommend automatic renegotiation if the ratio of net residential property taxes to net household income moves by more than some percentage yet to be determined from the

ratio that existed in 1977. (Although 10% has been discussed, it has not yet been tested to determine its degree of "sensitivity").

Changes in Accounting

It was agreed that, if there are changes in Provincial accounting methods, shifting revenue items to expenditures (or vice-versa), the change should be deemed not to have occurred during the term of the agreement, so that revenue and expenditure growth rates will continue to be calculated on the same basis as in the base year.

Transfer of Services

It was agreed that if responsibility for delivery of a particular service was transferred from provincial to municipal governments, or vice-versa, the appropriate adjustment be made, i.e., the funds would be transferred with the service.

Over and Under Delivery

It was agreed that, in the event of over and under deliveries, the difference should be paid/recovered at the rate of 1/3 in each of the three subsequent years.

1980 **Report to the Metro Executive Committee on a Request for an Increase in General Support Grant**

In response to questions raised at a meeting of the Inter-governmental Sub-committee (December 12, 1979) a report was prepared by the Director, Economic and Policy Research, C.A.O.'s Department and submitted to the Executive Committee. The Report addressed the adequacy of the General Support Grant and the Per Capita Grants to Metro Toronto.

The Report concluded:

> The method of population enumeration used by the Province of Ontario produces figures that are consistent with those generated by the Census of Canada. The upward adjustment of these figures by the Ministry of Treasury to produce an official population count for Metro does not appear to result in an underestimate of the population for the Municipality of Metroplitan Toronto. The decline in population that was actually occurring in Metropolitan Toronto came as a surprise partly because the number of household units continued to grow and partly because the upward revision in Metro's official population count by Provincial officials masked the decline that was occurring in the population of the City of Toronto.

The unconditional grant mechanism must be changed so that less reliance is placed on per capita grants. More reliance must be placed on a grant formula that is based on the Metro levy which recognizes the budget needs of Metro. An unconditional grant package dominated by per capita grants will continue to be a constant source of financial distress for Metro in times of inflation and will result in the continued erosion of Provincial grants as a proportion of total revenue requirements.

D. RECOMMENDATIONS

It is recommended that the Minister of Intergovernmental Affairs be requested to increase the general support grant for Metropolitan Toronto from 6 per cent of the general dollar levy to 19 per cent of the general dollar levy starting in the year 1980 and that the per capita grants be terminated.

This recommendation was adopted by Metro Council on January 15, 1980.

APPENDIX B

METROPOLITAN TORONTO'S RESPONSE TO THE PROVINCIAL-MUNICIPAL GRANTS REFORM COMMITTEE'S REPORT

APPENDIX A

GRANTS REFORM AND THE MUNICIPALITY OF METROPOLITAN TORONTO

A Brief submitted by the
Municipality of Metropolitan Toronto

to the Minister of Treasury,
Economics and Intergovernmental Affairs

in response to the Report of the
Provincial-Municipal Grants Reform Committee

City Hall
Toronto, Ontario
M5H 2N1

June 1978

GRANTS REFORM AND THE MUNICIPALITY OF METROPOLITAN TORONTO

1. INTRODUCTION

The Council of the Municipality of Metropolitan Toronto has examined the report on provincial-municipal grants submitted to the Government by the Provincial-Municipal Grants Reform Committee in November, 1977. This report provides the most comprehensive analysis of the grants system ever completed in Ontario, and it is a valuable contribution to the information base for provincial-municipal financial reform.

The Municipality recognizes that grants reform must be seen as part of the program of improvement in provincial-municipal relations to which the Government committed itself in Budget Paper B of the 1969 Ontario Budget. The other major elements of this program were improvements to local government structure and the reform of the property assessment and taxation system.

Metropolitan Toronto recognizes that grants reform can only be implemented in conjunction with the conversion to market value assessment and property tax reform. These steps will provide the basis for assessing the wealth of the various municpalities in Ontario and enable the grants system to fulfil the requirements of soundness, equity and efficiency that the Government established in the terms of reference of the Grants Reform Committee. Although the Grants Reform Committee did not deal with education grants, it is worth noting that the provincial government committed itself in the 1969 Budget to increase its share of local education costs to 60 per cent as its major direct contribution to the relief of the pressure on the property tax through grants. Provincial support reached that objective in 1973, but the provincial share has since been allowed to drop to less than 55 per cent. This detracts from the scope available to municipalities to raise funds through taxation.

The central question continues to be how best to supplement the revenues provided to Metropolitan Toronto by the property tax. The Municipality is of the opinion that the consideration of this question should involve alternatives to grants as well as the possible improvements to the present grants system suggested by the Committee.

Metropolitan Toronto finds the present grants system deficient in a number of ways. Although the financial support provided through grants is considerable, ($220 million in 1978, 35 per cent of Metro's gross current expenditure), this assistance is paid through about 40 different provincial programs, each having its own terms, conditions and criteria. In a time of limited resources, the differential funding levels distort the priority setting process. In its budget process, Council is working with 20-cent dollars for some services while with others it is working with 50-cent dollars; for still other services, Council bears the entire cost.

Some grant programs fail to meet Metropolitan Toronto's needs or recognize its current circumstances. For example, the costs of providing police services in this community are escalating steadily, while the population base on which the provincial grant for policing is paid is stable. As a result, the property taxpayer in Metropolitan Toronto is paying a higher proprotion of the costs of his police force than his fellow citizens in other regional governments. Several other grant programs provide payments directly to special purpose bodies such as the Library Board, blurring the accountability of elected councils and preventing them from allocating the total resources available to the Municipality according to politically established priorities.

One of the most important faults of the present grants system is that it does not now provide sufficient certainty for effective long-term financial planning, an urgent necessity for a corporation the size of the Municipality of Metropolitan Toronto. The continuing adjustments to the Edmonton Commitment, the slowing growth of Metro's tax base, and the often capricious effects of the grants system render sensible financial planning extremely difficult.

Thus, the Municipality of Metropolitan Toronto is in agreement with many of the criticisms of the present grants system offered by the Grants Reform Committee, and the Municipality supports all of the nine principles advanced by the Committee as a framework for the reform of this system. The Municipality's response to the Report's recommendations is contained in Table 1 which appears at the end of this brief. But the Municipality is in fundamental disagreement with the assumption that the grants system - even as it might be improved through the implementation of the Committee's report - is the best way to provide the resources necessary to supplement the proceeds of the property tax for the Municipality of Metropolitan Toronto.

2. TAX SHARING: THE BEST SOLUTION

The Metropolitan Council's basic policy in this matter is set out in "Municipal Tax Reform", a paper adopted by Council on March 26, 1974. That paper said:

> Unless and until the local governments of this province have more direct control over a larger revenue base, local autonomy is a sham and public accountability is restricted. The first step in any reform of the tax system of local government must be to strengthen the accountability of local government for both the expenditure and the raising of public money. We believe that local government, whether at the regional or city and borough level, must be responsible for its actions to the electorate and taxpayers of the area. Dependence upon transfers erodes accountability and responsibility .

The paper made the following recommendations on the subject of tax-sharing and grants:

- -the Province should expand the tax base of regional governments by introducing tax-sharing as a method of raising municipal revenues. (Tax-sharing is defined as the joint occupancy of a single tax field by more than one level of government, each with the power to levy its own taxes, but with the collection of taxes centralized with one authority).

- -this system of tax-sharing should replace unconditional grants for regions and restructured counties, except for equalization grants;

- -conditional grants should be used solely to ensure that municipalities provide services deemed essential by the the provincial government and covered by mandatory legislation.

- -stimulation grants should be provided on a block basis to allow municipalities to experiment in the development of new (permissive) services.

The Metropolitan Council has never received a satisfactory explanation as to why this proposal should not be implemented. Council recognizes that further information is needed before a final decision can be made, and it suggests that now is the time to initiate such study and develop a feasible and specific proposal for the implementation of tax-sharing for Metropolitan Toronto.

Recommendation 1: The Metropolitan Council reaffirms its position that existing provincial grants should be replaced by a tax-sharing agreement.

Recommendation 2: The Metropolitan Council proposes that the Government of Ontario cooperate with it in a joint, objective study of the financial and administrative feasibility of tax-sharing from the point of view of both governments.

3. COST-SHARING: THE INTERIM SOLUTION

It is recognized that tax-sharing is a solution that can only be expected in the longer term even if the above study indicates that it is feasible and the Province finds it is desirable. In the interim, the Metropolitan Council believes that changes in provincial-municipal transfers should build toward that goal. The most feasible interim step is the replacement of the present conditional grants with a series of three-year cost-sharing agreements for major services. This option was first described as follows in a paper adopted by the Metropolitan Council on October 28, 1977 for submission to the Royal Commission on Metropolitan Toronto:

> In effect, the time has come for the appropriate Metropolitan staff and provincial staff to meet and enter into an active dialogue as to how best the two governments can jointly unconditionalize all future grant enrichment, and at the same time ensure that the level of transfer payments from the Province to Metro will not be prejudiced because of the unconditionalization of grants. The definite plan should be to finalize the discussions in the form of an agreement to be drawn up and signed by both the Province and Metro regarding revenue support from the Province over, say, a three-year period *(assuming the term of Council is changed to 3 years)*.
>
> The criteria should be specific but flexible enough to allow for the fluctuations in provincial revenue. A stabilized form of "Edmonton Commitment" might provide the answer.

This concept was accepted by the Royal Commission on Metropolitan Toronto in its final report.

Multi-year cost-sharing agreements would bind each level of government to a specific share of the costs of each service based on agreement as to the level of responsibility appropriate to each level of government in each case. Presumably the provincial government would insist on certain minimum standards being met in return for its funding assistance. This is desirable and welcome. The funds would be paid to Metropolitan Toronto annually and unconditionally; certification as to the costs of each program area and the shares payable by each level of government would be provided by the Metropolitan Auditor after the close of each fiscal year. If the provincial government objected to the ultimate use of the provincial funds by Metro, this would be the subject of negotiations at the end of one multi-year period for the following period.

As part of the change to this broader and less conditional form of funding, Metropolitan Toronto should enhance existing programs of productivity measurement that will provide the basis for accurate measurement of service levels. During the interim transition period close liaison with the provincial government would be necessary to ensure a smooth adaptation to the new system.

Recommendation 3: Provincial-municipal transfers in the following areas be replaced by multi-year cost-sharing agreements that correspond to the term of council.

- -police
- -transit
- -roads and traffic
- -housing
- -ambulance services
- -environmental protection
- -income maintenance
- -social services
- -library services

It is probable that the above recommendation would be implemented at the same time as the proposals for grants reform are implemented for other parts of the province. Because of the disparities that might otherwise arise, it will be necessary to establish the level of unconditional funding by means of three-year agreements as well.

The above proposal has the following advantages:

- -it would provide multi-year certainty of funding commitments for both the provincial government and Metro;
- -it would be based on Metro's actual cost of providing service;
- -it would permit Metro more discretion in setting its own priorities and exploring least-cost alternatives;
- -it would help clarify provincial and municipal roles in service delivery;
- -it would encourage accurate assessment and analysis of productivity;
- -it would eliminate the complexity and administrative cost of the existing grant system; and
- -it would be a further step along the road to tax-sharing.

4. CONCLUSION

The Metropolitan Council prefers tax-sharing and, as an interim measure, cost-sharing, to a reform of the present grants sytem as a means of supplementing the property tax in Metropolitan Toronto. It has, however, examined the recommendations for changes to the grants sytem proposed by the Grants Reform Committee, and its comments on these are outlined in Table 1 below. In offering these comments, the Metropolitan Council is concerned that the

implementation of some recommendations may result in a reduction in the total transfers made to the Municipality. Its concerns are not entirely allayed by the Grants Reform Committee's operating assumption that there would be no net decline in provincial-municipal transfers as a result of grants reform. This assumption does not necesarily mean that transfers to one municipality will not decline while transfers to others rise. Therefore, the Metropolitan Council wishes to make it absolutely clear that it will accept no alterations to the grants system that reduce the real level of provincial transfers to Metropolitan Toronto except as a result of agreed transfers of responsibility between levels of government.

Recommendation 4: The Municipality of Metropolitan Toronto insists that any scheme for grants reform include a guarantee that the real level of provincial transfers to Metropolitan Toronto will not drop except as a result of mutually agreed transfers of responsibility between levels of government.

Table 1

Provincial Grants and Subsidies Payable to Metropolitan Toronto, 1977 and 1978

($000)

Department or Agency	1977 (Estimate)	1978 (Estimate)
Legal	6.2	10.0
Treasury	2.5	2.5
Planning	64.4	4.2
Ambulance Services	9,761.9	10,042.9
Police Commission	32,418.9	32,327.2
Roads & Traffic	7,994.0	9,599.8
Toronto Transit Commission	26,368.2	31,423.8
Social Services	83,236.3	93,132.3
Sub-Total	159,852.4	176,542.7
Per Capita Grant for General Purposes	21,562.6	21,501.5
General Support Grant	16,691.2	21,893.1
Total Current Provincial Grants and Subsidies	198,106.2	219,937.3
Total Capital Grants	103,783.0	80,568.0
TOTAL GRANTS:	301,889.2	300,505.3

Sources: 1978 Estimates and 1978 Capital Works Program

Appendix B contains a summary of the terms of the above grant programs, which vary widely with regard to the basis of the funding and the level of support.

APPENDIX C

LIST OF CONDITIONAL GRANTS

LIST OF CONDITIONAL GRANTS AVAILABLE TO METROPOLITAN TORONTO FROM PROVINCIAL MINISTRIES AND AGENCIES

1. ADMINISTRATION DEPARTMENTS

Certain administrative costs of Metro Administrative Departments are eligible for subsidy under various Community Services and Roads and Traffic grant programs. In addition, the following Departments also receive subsidies:

Management Services Department

- subsidy under the Municipal Energy Audit Grants Program;
- grants under the Municipal Action '85 Program for introduction of advanced management systems.

Treasury Department

- subsidy for employment of summer students under the Involvement in Municipal Administration Program.

Chairman's Office

- subsidy for a study on the future of Exhibition Place.

2. POLICE COMMISSION

The unconditional grant for policing ($17 per capita in 1983) is considered to be part of the revenue for the Police Commission. A special federal subsidy for Emergency Planning ($100,000 in 1983) is also available.

3. AMBULANCE SERVICES

A subsidy from the Ministry of Health is supplied for eligible expenditures for the purpose of standardizing Ambulance Services throughout Ontario to an improved service level.

4. ROADS AND TRAFFIC

The Ministry of Transportation and Communication supplies a subsidy of 50% of eligible expenditures for roads maintenance and traffic engineering. There is a ceiling on total funding available to any one municipality.

5. TORONTO TRANSIT COMMISSION

The Ministry of Transportation and Communication provides a subsidy based on a formula relating to eligible Toronto Transit Commission operating expenditure (plus eligible Metro debt charges) which in 1983 results in an operating assistance subsidy of approximately 15%, plus special subsidies for the operation of new transit facilities, transportation services for the physically disabled, and a capital assistance subsidy relating to commuter parking lots.

6. PLANNING

The Ministry of Transportation and Communication provides subsidies for various transportation studies.

7. PARKS AND PROPERTY

Island transportation costs are subsidized on the same basis as T.T.C. operating assistance subsidies.

8. COMMUNITY SERVICES DEPARTMENT

		1983 Estimate	1982 Estimate	1982 Actual
a.	Commissioner of Community Services	0.0	219.6	69.9
b.	Administrative Services Division	1,251.0	974.9	959.7
c.	Policy and Planning Division	223.8	214.8	177.4
d.	Social Services - Area Offices	116,849.0	76,731.1	86,307.4
e.	Social Services - Purchased Services	3,982.0	3,179.5	3,529.7
f.	Social Services - Hostels	8,598.7	5,210.2	5,553.6
g.	Community Services - Head Office	358.8	141.7	0.0
h.	Community Services - Day Care	29,276.1	27,276.8	24,959.0
i.	Community Services - Other Services	0.0	229.6	66.2
j.	Homes for the Aged - Homes	38,012.4	33,386.3	34,034.4
k.	Homes for the Aged - Food Commissary	7.5	362.8	362.5
	Total	198,559.3	147,927.3	156,019.8*

* Excludes Ontario Employment Incentive Program

b. 50% of eligible costs of Administration; 80% of the eligible costs of Staff Training.

c. 50% of the eligible costs of Administration.

d. 50% of the eligible costs of Administration; 100% of the eligible costs of Non-Resident cases and Nursing Home Extendicare cases; 80% of the eligible net expenditures for staff training, General Assistance, Supplementary Aid, Work Activity Program, Nursing Home Care and Teaching Homemakers; 50% of eligible net expenditures for Special Assistance; 100% of employment related expenditures for the A.S.P.I.R.E. Program and 80% of the balance of A.S.P.I.R.E. costs.

e. 50% of the eligible costs of Administration; 80% of the costs of Purchased Counselling Service and Private Homemakers and Nurses Services; 100% of the costs of Adult Protective Service.

f. 100% of net eligible expenditures for Non-Resident cases; 80% of the balance of net eligible expenditures.

g. 50% of the eligible costs of Administration; 50% of the eligible costs of the Child Abuse Program.

h. 50% of items of capital nature in the current funds; 80% of eligible net expenditures for Metro operated Day Nursery and Day Care Centres, Private Day Nurseries, and Private Home Day Care; 80% of the costs related to the A.S.P.I.R.E. Program.

j. 100% of eligible expenditures for Extended Care; 70% of the net balance of Exended Care expenditures and the net eligible expenditures for residential care; 100% of designated physician's services; 50% of expenditures of a capital nature out of current funds.

k. 50% of items of a capital nature in the current funds.

APPENDIX D

PROVINCIAL DISCUSSION PAPER ON MUNICIPAL COST-SHARING AND UNCONDITIONAL GRANTS

Ontario

Office of the
Minister

Ministry of
Municipal Affairs
and Housing

Hearst Block
Queen's Park
Toronto, Ontario
M7A 2K5
416/965-6456

February 23, 1983

His Worship
Mayor Gerald J. Parisien
President
Association of Municipalities of Ontario
100 University Avenue
Suite 902
Toronto, Ontario
M5J 1V6

Dear Mr. President:

Last year, when I announced the 1982 municipal transfers, I suggested that a comprehensive review of the Unconditional Grants Program should be undertaken. At the Association of Municipalities of Ontario's annual conference last August, I promised to release a discussion paper examining the topic of county and regional cost-sharing. The attached Discussion Paper addresses both of these issues.

The review of the Unconditional Grants Program has been going on for some time within my Ministry. I now invite AMO to work with us in reviewing the issues and developing a policy to meet the needs of the 1980's. The Discussion Paper contains an example of a two-grant system which illustrates how the current program could be simplified, while bringing a high degree of predictability to annual grant entitlements. As the Paper points out, the example is not without its limitations. Let me say for the record at the start of our discussions, that the two-grant system is not a proposal I am trying to sell you. It is included in the Paper to give an alternative to the current Program and to generate discussion on the issues and solutions.

With regard to cost-sharing, I appreciate that AMO has had a committee to examine region or county-wide reassessment. I have included in the Discussion Paper a recap of some of the problems with our current cost-sharing systems and some of the questions that must be addressed as we move toward such reassessments. As we obtain more sample studies, the issues raised will call for mutual co-operation and the development of specific solutions.

.../2

Mayor Gerald J. Parisien
President
Association of Municipalities of Ontario

In forwarding this Discussion Paper, I am asking that AMO be the focal point for distributing it to your members and for gathering municipal input into these discussions.

If we expect to implement a new unconditional grants program or make progress towards a more rational cost-sharing system in the near future, it will be necessary for me to put the proposals forward into the provincial decision-making process by mid-June. This is an ambitious timetable. To facilitate the process, however, I am asking Glenna Carr, Director of the Municipal Finance Branch, to have her staff available to work with your members on this project.

As I mentioned, this is an ambitious program, but I think it is an extremely worthwhile one. Your co-operation in this endeavour is very much appreciated.

Yours sincerely,

Claude F. Bennett
Minister
M.P.P., Ottawa South

AMO

Association of Municipalities of Ontario

Suite 902 • 100 University Avenue, Toronto, Ontario M5J 1V6 • Telephone 593-1441

TO: Section Executive Committees

FROM: Mayor Gerald J. Parisien, President, Association of Municipalities of Ontario

RE: **Discussion Paper on Municipal Cost Sharing and Unconditional Grants**

I am writing to all Section Executive Committees regarding the Discussion Paper that was recently released by the Honourable Claude Bennett, Minister of Municipal Affairs and Housing, regarding Municipal Cost Sharing and Unconditional Grants. Attached to this communication you will find a copy of a letter from the Minister, dated February 23rd, as well as a copy of the Discussion Paper.

With regard to the Minister's letter, I draw to your attention to that portion (paragraph 1, page 2) in which he requests that the Association act as the focal point for distribution of the Discussion Paper and for the gathering of municipal input.

As President, I am pleased to advise that the Association has accepted the task as presented by the Minister. Consequently,the Association will forwarding a copy of the Discussion Paper, the Minister's communication as well as a special letter from myself to every municipality in Ontario. In addition, the AMO Fiscal Policy Committee will be undertaking a comprehensive review of the Discussion Paper and will be preparing a response for the consideration of the Board of Directors (late May) and submission to the Minister (June). As Mr. Bennett notes in his letter the timetable is rigorous, but one that must be adhered to if changes are to be in place for 1984.

As the Co-Chairman of Fiscal Policy advised the recent meeting of the Board of Directors, the schedule may not permit presentation of the Committee's final report to each Section Executive Committee prior to submission to the Board of Directors. If this should be the case, I will advise the Minister of Municipal Affairs and Housing, that comments from the Sections Executives will be appended to the Report at the time of its presentation to the Government.

Status reports will, of course, be made to the Section Executive Committees throughout the process. In the meantime, I would urge that you familiarize yourself with the proposals contained within the Discussion Paper and that you view the subject on the basis of its implication and interest to municipalities represented within your Section.

If you have any questions in this regard please do not hesitate to contact us.

Gerry Parisien
President

March 2, 1983

MUNICIPAL COST-SHARING AND UNCONDITIONAL GRANTS

DISCUSSION PAPER

Ministry of Municipal Affairs
and Housing
February, 1983

PREFACE

This paper examines two vital aspects of the municipal fiscal framework in Ontario. One is the sharing of county and regional costs by residents of different municipalities. The other is the unconditional grants that are paid to all 838 municipalities.

Both aspects have been the subject of controversy in recent years. The existing systems for distributing costs and grants are seen to be uncertain, unfair and overly complex.

The paper is part of an ongoing process of adapting municipal fiscal arrangements to current realities. It is appropriate that further changes be preceded by a full discussion of the issues involved. The purpose of the paper is to provide a point of departure for that discussion by reviewing the advantages for taxpayers of uniform county and regional mill rates and by outlining possible new directions for the Unconditional Grants Program.

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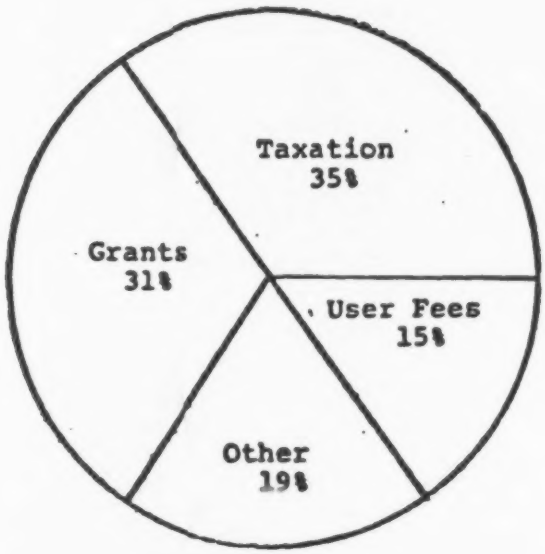
EXISTING ARRANGEMENTS

The existing arrangements for distributing costs and grants among Ontario municipalities were originally formulated during the late 1960's and early 1970's. These arrangements are now key elements in the financing of municipal services in Ontario.

Provincial transfers currently account for about a third of municipal (i.e. non-school) spending, and nearly a third of these dollars come in the form of unconditional grants. Half of the rest of municipal revenue is provided by property taxation.

How Municipal Spending Is Financed



Note: For details see Part I of Local Government Finance in Ontario, 1980.

Cost-Sharing

Local governments (municipalities and school boards) raise approximately $6 billion through property taxes each year. Only about one third of this is to pay for the services provided by the "lower-tier" municipalities (cities, towns, townships and villages) which actually collect the taxes. The remainder is required to meet the requisitions from "upper-tier" municipalities (counties and regional municipalities) and from school boards. (See Table 1 in the Appendix.)

Two thirds of the property taxes are thus shared among ratepayers through what is called the "apportionment" system. The basis for apportionment is the total assessment of each lower-tier municipality. Since properties are assessed at different percentages of actual value in different areas, equalization factors are used to place the local assessments on a comparable basis.

From 1970 to 1979, the assessment equalization factors were maintained at their 1970 levels. This was done in anticipation of province-wide reform of the property tax system, including reassessment of all properties at market value. When province-wide reassessment was deferred, the equalization factors were revised to reflect updated market values. New factors are now published annually.

Potentially, the "unfreezing" of the factors could have produced dramatic cost shifts among municipalities. Taxes in farming municipalities and municipalities with high percentages of residential assessment would have gone up, while taxes in the commercial and industrial centres would have gone down. This was contrary to the Government's policy that taxes should not be shifted onto residential property.

Starting in 1981, equalized residential assessments were discounted in order to give some recognition to the relative differences of effective rates of taxation on the various classes of property in different municipalities. Each county and region was given its own discount factor. Where, for example, commercial and industrial property had, on average, been assessed at half of market value and farm and residential at a quarter, the discount was set at approximately 50 per cent. The Province also paid apportionment guarantee grants to cushion against sudden changes in municipal cost shares.

Even with these improvements, there remain obstacles to having costs shared on an equitable and understandable basis throughout Ontario. For example, there is the difference between the way apportionment shares are determined (according to discounted equalized assessment) and the way taxes are levied (according to local assessment). As a result, owners of comparable homes in different lower-tier municipalities within the same county or region pay different amounts for upper-tier services. (See Table 2.)

Fairness among ratepayers has been enhanced in the 350 lower-tier municipalities which have undergone reassessment by property class under section 63 (formerly 86) of the Assessment Act. This process realigns tax burdens among properties within each class in the municipality. It does not, however, address the differences across municipal boundaries within a county, region or school board area.

A second weakness in the cost-sharing system is that the annual revision of equalization factors can produce significant changes in relative cost shares from one year to another. This occurs despite the fact that the local assessments may not have changed at all. The changes in market values are interpreted as implying an altered ability to raise taxes; yet the local tax base may have remained basically the same.

A three-year averaging of equalization factors was introduced for apportionment purposes in 1982. This has reduced the year-to-year swings, but it has not completely eliminated them.

A third problem relates to the treatment of the payments that the provincial and federal governments make in lieu of taxation on their properties. The rules governing how these payments should be allocated to the various requisitioning bodies are interpreted in different ways from area to area. The result is that the mill rates for lower-tier purposes are sometimes understated and those for upper-tier purposes, overstated.

Until recently, distortions also arose from the way unconditional grants were paid to counties and regions. In regional areas, per capita grants were paid to the regions and then deducted from each lower-tier municipality's requisition. In both regions and counties, part of the Resource Equalization Grant paid to a lower-tier municipality was credited against the upper-tier mill rate.

This created confusion as to the support being given to each level of government. For that reason, all upper-tier unconditional grants are now paid directly to the counties and regions concerned.

A number of steps have thus been taken since 1979 to improve the cost-sharing system. However, further changes are required if the system is to be made fully acceptable to municipal taxpayers.

Unconditional Grants

The Province of Ontario has been making unconditional payments to municipalities since the 1930's. A major expansion in the program occurred in 1973, when total funding increased from $80 million to $200 million.

As has been noted, the Unconditional Grants Program currently accounts for nearly a third of provincial transfers to municipalities. The funding equals a quarter of municipal property taxes. In the absence of the program, taxes would have to increase approximately 25 per cent, or services would have to be reduced to the same extent.

Unconditional grants differ from other grants in that they do not have to be spent on a designated service (roads, libraries, etc.). They can be applied to any lawful purpose of the municipality. Unconditional grants improve the ability of municipal councils to set priorities in accordance with local needs and preferences.

The principle of unconditional funding has been endorsed by the Association of Municipalities of Ontario. It has been recommended by a series of studies and reports ranging from the 1967 Report of the Ontario Committee on Taxation to the 1977 Report of the Provincial-Municipal Grants Reform Committee.

In 1982, as in 1973, the Unconditional Grants Program consisted of six separate grants. Three were paid on a per capita basis (i.e. as a dollar rate times the number of people in a municipality). The per capita grants were the General Per Capita Grant, the Police Per Capita Grant and the Density Per Capita Grant. The three other grants were the so-called "levy-based" grants. They were paid as a percentage of a municipality's net spending or levy. These were the General Support Grant, the Northern Support Grant and the Resource Equalization Grant.*

A number of minor adjustments were made in the grants between 1973 and 1979. The grant rates were increased from time to time. The definition of net levy was expanded to include water and sewer charges. The District of Parry Sound was made eligible for the full Northern Support Grant.

The Resource Equalization Grant (R.E.G.) attracted most of the attention from 1979 on. Municipalities received an R.E.G. if their equalized assessment per capita was below the provincial standard. The grant rate varied from 0 to 25 per cent of net levy.

The updating of assessment equalization factors created for the R.E.G. a situation similar to that in the cost-sharing field. There would have been a significant shift of grant funds from

*For a complete description of the grants, see Part II of Local Government Finance in Ontario, 1980.

rural, residential and northern municipalities to urban, industrial and southern ones if the equalized assessments had been used without modification. This did not reflect any real change in relative municipal tax capacities, but merely a difference in the rates of increase in the market values of different kinds of property between 1970 and 1979.

A number of steps were taken to preserve equilibrium. Equalized residential assessment was discounted at 55 per cent in accordance with local tax (i.e. assessment) practices across the province. A three-year average of equalization factors was introduced. The Province paid an R.E.G. guarantee grant so that no municipality experienced a decrease in entitlement. Over four hundred of the nearly seven hundred and fifty R.E.G. recipients received such a guarantee in 1982.

Nonetheless, municipalities still faced considerable uncertainty as to their entitlements from year to year, and grant calculations became increasingly complex. The R.E.G. began to absorb an increasing proportion of the total available funding. This left little room for changes which municipalities were seeking in other parts of the Unconditional Grants Program.

It is against this backdrop that an examination of the Unconditional Grants Program has proceeded.

FUTURE OBJECTIVES

Ontario's new municipal fiscal framework must take into account the economic conditions and policy priorities of the 1980's. These conditions and priorities are different from those of a decade ago.

The pre-eminent economic reality of the early 1970's was rapid urban growth. Today, a municipality is as apt to lose as to gain population from year to year. Province-wide taxation of property on the basis of market value was widely anticipated a decade ago, and it was thought that the unconditional grants should be tied directly into the tax system. Today assessments are being updated and tax burdens realigned class by class and area by area. As late as 1980, the grant and apportionment systems still contained several special features to assist with the start-up costs of the regional governments. The regions have entered a "mature state", and it is now possible to assess municipal needs and resources irrespective of whether a municipality is located inside or outside a regional area.

The new environment suggests five objectives for the fiscal framework of the 1980's. The first is simplicity. Municipalities have repeatedly complained about the numerous calculations required to work out apportionment shares and grant

entitlements under the present arrangements. Unnecessary complexity causes confusion, which in turn undermines public confidence in the financing system.

A second objective is to ensure greater certainty. Municipalities have said that they want their year-to-year revenues and obligations to be more predictable. The potential fluctuations in apportionment shares and the Resource Equalization Grant arising from changes in equalized assessment have been a particular source of concern. Greater certainty is a prerequisite to effective planning and budgeting processes at the municipal level.

Fairness is a third objective. Different municipalities have different responsibilities and costs, and the unconditional grants system must take this into account. Much of the discussion to date has focused on the Resource Equalization Grant. The effectiveness of this grant in terms of fairness has been questioned when 98% of lower-tier municipalities benefit from it (either from direct entitlements or through the apportionment system), and when 10 per cent of the funds go to municipalities in Metropolitan Toronto.

The future fiscal arrangements should encourage efficiency in the provision of municipal services. This is a concern throughout North America and is becoming increasingly important in a period of fiscal restraint.

A final objective is to promote accountability for taxing and spending decisions at the local level. This is especially relevant in counties and regions, where ratepayers have two sets of representatives spending municipal tax dollars.

In summary, then, tomorrow's fiscal framework should:

- be relatively simple and thus easily understood,
- provide municipalities with more certainty as to their grants and apportionments,
- distribute grants and tax burdens fairly,
- encourage efficiency in the provision of municipal services, and
- clarify the fiscal accountability as between the lower and upper tiers of municipal government.

DISCUSSION ON COST-SHARING

Since the largest portion of the property tax bill in most municipalities relates to taxes for shared costs, it is not surprising that there are growing concerns about fairness between ratepayers living in different parts of the same cost-sharing unit. Under the present system, owners of similar properties of comparable value often pay considerably different amounts of tax for the same services.

The focus in the section 63 (formerly 86) reassessment process has to date been on the lower-tier municipality. Given the present importance of cost-sharing, it seems appropriate that the focus should be shifted to the broader jurisdiction of the region, the county or the school board.

Some counties and regional municipalities have already asked the Ministry of Revenue to prepare impact studies of the effects of reassessment by property class on a county-wide or region-wide basis. A working group of the Association of Municipalities of Ontario has also submitted a report recommending that Ontario move toward reassessment on an upper-tier basis.

It is not possible at this stage to say how a county or regional reassessment might be implemented in every case. However, in an ideal form, such a reassessment would make it possible to dispense with the existing apportionment procedure. With all

properties within a given class assessed on the same basis, the county, region and school board could simply set the tax rates for their respective purposes. The yields from the mill rates would be collected by the lower-tier municipalities on behalf of the requisitioning bodies.

Payments in lieu of taxes would no longer enter into the cost-sharing calculations. The payments would be shared between lower-tier and upper-tier municipalities in proportion to the current year's mill rates. The upper-tier share would be a general revenue of the upper-tier corporation rather than being netted off the upper-tier levy in each lower-tier municipality, as is now the case. This would eliminate the present distortions in county and regional mill rates.

Sharing costs on a common assessment base measures up well to the objectives which have been set for the overall financing system. The inequities which can only be partially addressed through discounting residential equalized assessment would be corrected. All properties of similar type and value, wherever they might be located in the county or region, would be subject to the same mill rates and pay the same taxes for upper-tier and school costs. Table 3 illustrates the situation for a home worth $60,000 under the present system, under the present system with a local reassessment and under the system that would be possible following a county or regional reassessment.

It would be a much simpler system and hence much easier for the taxpayer to understand. Accountability would be enhanced. The

setting of distinct mill rates by counties, regions and school boards would highlight the responsibilities of these local government units.

From the standpoint of certainty, once a common basis of assessment had been established, there would be no need to use annual equalization factors. The new cost-sharing system could be in place pending reassessment some years later. This would avoid year-to-year fluctuations in taxes because of changes in equalization factors.

The Province recognizes that the introduction of the new system would not be a simple change. The correction of tax inequities has only involved lower-tier municipalities to this point. As the process would now involve more parties, it is important to begin discussions with an open mind. A number of issues will have to be resolved, including the determination of what constitutes a consensus for change within a county or region.

Some municipalities have questioned whether reassessments on a lower-tier basis should be discontinued while a decision on a county- or region-wide reassessment is being considered. Others take the view that such reassessments might be pursued in order to pave the way for broader reassessments. Table 3 shows that there can be instances of taxes moving in one direction under a local reassessment and then in another when a broader reassessment is done. This suggests that an interim phase could be counterproductive in the transition to the new cost-sharing system.

DISCUSSION ON UNCONDITIONAL GRANTS

It is possible to envisage a number of modifications to the existing grants which would distribute the unconditional funding available in a given year in accordance with the objectives for the financing system. (The distribution among the different types of municipalities under the present arrangements is shown in Tables 4 and 5.)

For example, one approach might be to have just two grants - a basic services grant and a special services grant. Both could be calculated on the basis of the number of households (i.e. dwelling units) in a municipality. The grant rates for municipalities in northern Ontario could be higher to reflect relatively higher expenditure requirements.

All municipalities could be eligible for a basic services grant. A special services grant might only be paid to those types of municipalities that have to provide the higher level or broader range of essential services associated with urban settlement and for which there are no conditional operating grants. The services in question could include police and fire protection and sewer and water systems.

Higher grant rates for northern municipalities would adjust for the higher expenditure requirements associated with isolation,

rough terrain and a harsh climate. The existing unconditional grants system has the Northern Support Grant, which is 18 per cent of a northern municipality's levy. As can be seen from Table 4, the north currently receives on average $453 per household in unconditional grants, as against $172 in the south.

One reason for basing grants on households rather than population would be that municipal enumerations are now only conducted every third year. There is also the consideration that the number of households in a municipality is more stable than the number of people. Even with an outmigration of people or reduction in family size, the number of homes stays about the same, and municipal servicing requirements, for the most part, continue.

Any conversion in the grant base causes a certain redistribution of funds among municipalities. With a household grant, the municipalities with a high ratio of residents per household would tend to "lose", while municipalities with a low ratio would tend to "win".

In accordance with the policy of treating lower-tier and upper-tier municipalities as separately accountable governments, counties and regions would receive their grants as direct entitlements. Under the example used, a county might receive a portion of the basic services grant of each of its participating municipalities times the total number of households in the county. At current support levels, the county rate would be $21 per household. (See Table 6.)

A regional municipality might receive a portion of the total grant entitlement of each of the municipalities in the region. The regions currently receive an average of $121 per household in unconditional grants. (See Table 7.)

Such a two-grant approach would meet the tests of simplicity, certainty, fairness, efficiency and accountability. All a municipality would have to do to calculate its grant would be to multiply one or two grant rates times the number of households shown on the assessment roll. Households (and hence, grant entitlements) would not be subject to the fluctuations that characterize population, levies, assessments and equalization factors under the current system. Differences between urban and non-urban, northern and southern would be taken into account. Efficiency can be promoted if, as a result of the discontinuation of the matching aspect of the present levy-based grants, municipalities re-examined the ways they provided their services and identified savings. The cause of accountability would be served by having all grants calculated by and paid directly to the benefiting municipality, lower-tier or upper-tier.

To be sure, any move toward a simpler grant system will cause shifts of grant monies among municipalities. There is currently a significant variation in the level of support provided. The range is from a high of $778 per household to a low of $31 per household. While the two-grant approach would continue to

distinguish between categories of municipalities, the effect within each category would be to draw all municipalities to a single rate. (See Table 8.)

Changes could, of course, be introduced in stages. A three-year phase-in could be achieved by allowing municipalities one third of their "wins" and "losses" in 1984 and two thirds in 1985.

It could be argued that the two-grant system would be less sensitive to servicing and cost differences among individual municipalities within each category. The existing levy-based grants provide this sensitivity, but at the cost of failing to encourage restraint in municipal spending (particularly at the higher grant rates).

One of the greatest sources of complexity in the existing grant system is the revenue equalization component - the R.E.G. The R.E.G. is also a major source of uncertainty because of its assessment base and the fluctuations in property values in recent years. Questions have also been raised about the usefulness of property values in widely separated parts of the province as indicators of municipal tax capacity.

Other measures of tax capacity which are perhaps suggested by the current economic climate include the rate of unemployment and average income per household. There are, however, significant administrative obstacles to using either. These include the

absence of reliable data for every municipality and the time lag between when data is collected and when grants would be paid.

There are also conceptual problems. Municipal grants tied to relative levels of unemployment would benefit employed taxpayers as well as unemployed ones. The average-income approach presumes that all taxpayers across the province face the same price structure, which is not the case.

Without a very complicated grant formula, there is no easy solution to measuring the "ability-to-pay" of one local community against that of another in terms of tax capacity.

The concept of having just two unconditional grants has been outlined here for discussion purposes. It is only one example of how unconditional funding could be distributed to meet the five objectives. There are advantages and disadvantages to this approach, as there are for the current program and for most alternatives that are likely to be devised. The grant system developed for the future will hopefully represent an optimal trade-off among the many considerations that must be taken into account.

CONCLUSION

This paper has sought to review the implications of introducing uniform mill rates for county and regional cost-sharing and to suggest possible new directions for the Unconditional Grants Program. Changes in these two facets of the provincial-municipal finance system are required in light of current economic conditions and policy priorities. Any such changes should meet the tests of simplicity, certainty, fairness, efficiency and accountability.

Both the Province and the municipalities want to have policies and programs which are understandable to taxpayers. If they understand the system, taxpayers will have more confidence in it.. The dialogue with municipal representatives is an essential element in the development of more understandable methods of financing municipal services in Ontario.

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TABLE 1

PERCENTAGE SHARES OF PROPERTY TAXES, 1981

	Lower-Tier %	Upper-Tier %	Total Munic. %	School Board %
Metropolitan Toronto	23	27	50	50
Regions	30	19	49	51
Cities South	54	0	54	46
Other South	32	10	42	58
Total South	30	19	49	51
Sudbury Region	27	29	56	44
Cities North	51	1*	52	48
Other North	47	6*	53	47
Total North	44	9	53	47
Total Province	31	18	49	51

*District social service boards.

TABLE 2

REGIONAL TAXES ON
A $60,000 RESIDENCE

	High	Low
	$	$
Metropolitan Toronto	224	189
Durham	189	146
Haldimand-Norfolk	147	117
Halton	131	96
Hamilton-Wentworth	289	231
Niagara	264	149
Ottawa-Carleton	259	97
Peel	138	66
Sudbury	511	297
Waterloo	160	115
York	160	59
Muskoka	74	61
Oxford	145	79

NOTE: Average by lower-tier municipality. Value estimated using class equalization factor for single-family dwellings.

TABLE 3

SIMPLIFIED ILLUSTRATION OF COUNTY AND REGIONAL COST-SHARING AMONG $60,000 RESIDENCES

	MUNICIPALITY A		MUNICIPALITY B	
	Taxpayer 1	Taxpayer 2	Taxpayer 3	Taxpayer 4
Under the Present Apportionment System				
Assessed Value	$5,000	$7,000	$18,000	$12,000
Residential Mill Rates	16.50	16.50	7.80	7.80
Property Tax	$82	$115	$140	$94
Present Apportionment System After Local Section 63(86)				
Assessed Value	$6,000	$6,000	$15,000	$15,000
Residential Mill Rates	16.50	16.50	7.80	7.80
Property Tax	$99	$99	$117	$117
After County or Region-wide Section 63(86)				
Assessed value	$10,500	$10,500	$10,500	$10,500
Residential Mill Rates	10.30	10.30	10.30	10.30
Property Tax	$108	$108	$108	$108

TABLE 4

1982 UNCONDITIONAL GRANTS
SECTORAL DISTRIBUTION

	$Million
Metropolitan Toronto	143.4
Regions South	207.0
Cities South	87.2
Other South	82.0
Total South	519.6
Sudbury Region	28.0
Cities North	53.8
Other North	46.6
Total North	128.4
Total Province	648.0

TABLE 5

1982 UNCONDITIONAL GRANTS
PER HOUSEHOLD

	High $	Low $	Average $
Metropolitan Toronto	208	161	174
Regions South	325	43	180
Cities South	328	134	200
Other South	391	31	134
Total South			172
Sudbury Region	586	474	498
Cities North	549	476	515
Other North	778	74	379
Total North			453
Total Province	778	31	196

NOTE: Figures include a portion of upper-tier grants where applicable.

TABLE 6

1982 COUNTY UNCONDITIONAL GRANTS
PER HOUSEHOLD

	$
Brant	21
Bruce	25
Dufferin	15
Elgin	26
Essex	20
Frontenac	11
Grey	20
Haliburton	8
Hastings	21
Huron	35
Kent	29
Lambton	19
Lanark	32
Leeds and Grenville	16
Lennox and Addington	25
Middlesex	23
Northumberland	16
Perth	22
Peterborough	13
Prescott and Russell	50
Prince Edward	33
Renfrew	18
Simcoe	10
Stormont, Dundas and Glengarry	43
Victoria	17
Wellington	27
Average	21

TABLE 7

1982 REGIONAL UNCONDITIONAL GRANTS
PER HOUSEHOLD

	$
Metro	125
Durham	122
Haldimand-Norfolk	98
Halton	117
Hamilton-Wentworth	146
Niagara	131
Ottawa-Carleton	71
Peel	119
Sudbury	298
Waterloo	114
York	113
Muskoka	29
Oxford	60
Average	121

TABLE 8

POSSIBLE PER HOUSEHOLD
GRANT RATES

	$
Metropolitan Toronto	185
Regions South	185
Cities South	185
Other South	95/185
Sudbury Region	505
Cities North	505
Other North	280/505

NOTE: Based on 1982 data.